

Africa	Sch. 15	Indonesia	Rs 250	Portugal	Esc 65
Bahrain	DM 650	India	Rs 1100	S. Africa	Rc 65
Belgium	BF 35	Japan	Yen 600	Spain	Es 410
Canada	CA 250	Jordan	Dr 500	Sweden	Se 95
Cyprus	Mil 600	Kuwait	Fls 500	Switzerland	Fr 500
Denmark	DKr 100	Lebanon	Le 1000	UK	£ 100
Egypt	EGP 100	Malta	Mil 500	USA	US \$ 500
Finland	Fls 500	Morocco	Dir 500		
France	Fr 5,500	Mexico	Pes 200		
Germany	DM 4,200	Nicaragua	Dir 500		
Greece	Dr 60	Netherlands	Fls 250		
Hong Kong	HK \$ 72	Norway	Nkr 12		
India	Rp. 12	Philippines	Pes 20		
Indonesia	Rs 250	U.S.A.	\$ 50		

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,118

Tuesday September 13 1983

D 8523 B

France's most  
painful  
budget, Page 3

## NEWS SUMMARY

### GENERAL

### U.S. task force strength boosted

SOME 2,000 U.S. marines joined the U.S. task force in Lebanon in a move to strengthen the 5,000 United Nations military presence in and around Beirut. But they stayed offshore.

The U.S. marines, who were already land-based, came under small arms fire from anti-Government Shiites.

Diplomatic moves to end the fighting between Druze tribesmen, backed by the Lebanese Government, by Syrians and Palestinians, and the Lebanese, are continuing. Saudi Prince Bandar bin Sultan is shuttling between Cyprus and Damascus. Page 20

Canadian television reporter Clark Todd, 38, died in Lebanon after being hit by artillery shrapnel.

### French outcry

The election of four members of the far-right French National Front to the town council of Dax, 55 miles (88 km) west of Paris and with a large North African population, has caused an outcry in France. Page 26

### Hamburg sit-in

Workers at Howaldtswerke Deutsche Werft occupied the Hamburg shipyard in protest at the planned redundancy of more than 4,000 workers.

### Zimbabwe trial

Ten members of Zimbabwe's Zanu opposition party went on trial charged with attempting a coup to install Joshua Nkomo in power. In Atlanta, Georgia, Premier Robert Mugabe invited black Americans to come to Zimbabwe as teachers.

### Aquino inquiry delayed

The five-man commission set up by Philippines President Ferdinand Marcos to investigate the killing of opposition leader Benigno Aquino has suspended hearings following challenges to the propriety of Chief Justice Enrique Fernando acting as chairman. Page 4

### U.S. consul expelled

The Soviet Union expelled Lon Angusteborg, a U.S. vice-consul in Leningrad, alleging that he and his wife had been caught spying.

### Infiltration claim

Hundreds of well-trained Communist Party officials have infiltrated West Germany's anti-nuclear movement, alleged a senior Interior Ministry official.

### Afghan rebel gains

Afghan guerrillas control the bazars in Khost, Urgun and Jaji, three towns with good road links to Pakistan, say supporters in Pakistan.

### Convicts on strike

More than a thousand prisoners in four Italian prisons went on hunger strike demanding penal reforms.

### China's husbands

Hasty marriages, bullying husbands and adultery were blamed by a senior official for a significant increase in China's divorce rate.

### Briefly...

Methane gas explosion killed 63 people at a mine near Vryheid, Natal, South Africa.

Pakistan forces shot dead five anti-Government protesters at a town in Sind province.

Two Picasso paintings were stolen from a Corpus Christi, Texas, museum.

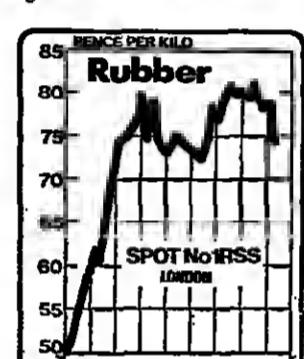
### BUSINESS

### Saga in \$83m sell-off to Statoil

• SAGA PETROLEUM, the Norwegian oil independent, plans to sell its loss-making petrochemical affiliate, Saga Petrokemi, to state-owned Statoil for Nkr 821m (\$83m). Page 21

• OIL fell to DM 2,665 (from DM 2,674), FF 8,0125 (FF 8,04), SwF 2,163 (SwF 2,176) and Y241.6. The Bank of England trade-weighted index fell from 128.6 to 128.3. In New York the dollar closed at DM 2,668; SwF 2,1732, FF 8,04 and Y243.8. Page 37

• STERLING rose 95 points to 51.5025, and to DM 4 (DM 1.995), FF 12.035 (FF 11.9975), SwF 3,2525 (SwF 3,2425) and Y365.5. Its trade-weighted index edged up from 84.7 to 84.9. In New York, sterling closed at \$1.4965. Page 37



• RUBBER prices fell in London, with the spot quotation down 3p to 74p (\$1.11) a kilo, 7.5p below the three-year peak reached last month. Page 36

• LONDON: FT Industrial Ordinary index rose 3.4 to 707.5. Government Securities showed gains averaging more than 1 per cent. Report, FT Stock Information Service, Pages 31-33

• GOLD fell \$0.25 in London to \$414.75. In Frankfurt it rose \$12 to \$416, and in Zurich it went up \$2 to \$417.5. In New York the Comex September gold settlement closed at \$405.5 (\$413.5). Page 36

• WALL STREET closed 10.67 down at 1229.07. Full share listings Pages 27-29

• TOKYO Nikkei Dow index rose 5.12 to 9355.13, and the Stock Exchange index 3.03 to 687.61. Report, Page 27. Leading prices, other exchanges. Page 30

• AUSTRALIA had an August balance of payments surplus of A\$391m (US \$324m), compared with an A\$117m surplus in July. It was boosted by a net capital inflow of A\$95m.

• ZIMBABWE forecasts a 1983 current account deficit of 2530m-400m (\$265m-360m). Page 4

• TAIWAN: Three U.S. companies plan to step up their high-technology investments. Page 6

• SWEDISH unemployment rose to a record 179,000, 4 per cent of the workforce, in August. Report, Page 27. Leading prices, other exchanges. Page 30

• PHILIPPINES brought in new austerity measures, including restrictions on foreign borrowing and import controls, to conserve foreign exchange. Page 6

• CREUSOT-LOIRE, the French engineering major controlled by the private Empain-Scheider group, is expected to decide today on a major restructuring, likely to involve the sale of its steel assets to one or both of the nationalised groups Usinor and Saclor. Page 21

• NORTWEST ENERGY shares jumped sharply yesterday in the U.S. following a \$920m counter-bid by Tulsa-based Williams Companies. Page 21

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## Brazil to accept IMF demands on debt rescue

BY PETER MONTAGNON IN BASEL AND ANDREW WHITLEY IN RIO DE JANEIRO

Brazil is to sign its Letter of Intent to the International Monetary Fund (IMF) this Thursday paving the way for implementation of a multi-billion dollar international debt rescue package, Dr Fritz Leutwiler, president of the Bank for International Settlements (BIS), said in Basel yesterday.

Dr Leutwiler said he was told of Brazil's new deadline last Friday by M. Jacques de Larosiere, the IMF Managing Director. The deadline was also confirmed to him by Brazil's finance minister, Sr Ernesto Gómez.

He said that there was no urgency for Brazil to reach agreement with the IMF.

Dr Leutwiler commented yesterday that Mr de Larosiere had apparently persuaded Brazil otherwise.

Dr Leutwiler also made it clear, following the monthly meeting of BIS governors yesterday, that the BIS will not contribute to the rescue package by extending further bridging finance.

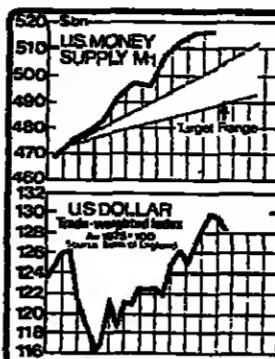
Brazil is behind with payment of \$800m in principal to the BIS from its existing \$1.45bn loan, granted last winter, though it has been paying interest, he said. "There is no question of extending this loan well into 1984."

At their meeting yesterday, the BIS governors did, however, decide not to press for immediate payment of the \$800m now overdue in view of Brazil's "good prospects" of reaching an agreement with the Fund, he said.

The BIS expects repayment at the latest by October, he said.

Continued on Page 20

Airlines accounts blocked. U.S. Congress and IMF Bill, International supervision tightened up. Page 4



### London scents interest rate cut

By MAX WILKINSON, Economics Correspondent, in London

THE LONDON government securities market responded with a burst of optimism yesterday to the unexpected sharp fall in the U.S. money supply announced on Friday.

The IEA's preliminary estimates should give added strength to those voices in the Organisation of Petroleum Exporting Countries (Opec) calling for a retrenchment of the present ceiling on collective production of 17.5m barrels a day (b/d) until the end of the year.

According to the preliminary estimates, supplies, including net exports from the communist world, could have exceeded demand of 42.3m b/d by as much as 2.3m b/d.

The IEA calculates that the actual build-up of stocks on land in member states of the Organisation for Economic Co-operation and Development (Oecd) during the third quarter of this year may amount to 1.2m b/d.

The \$2bn fall in the U.S. M1 (the narrow measure of money) prompted early buying of gilts in London as traders sensed easier interest rates on both sides of the Atlantic.

Prices rose by up to 22 and the 0.81 rise in the FT Government Securities Index to 80.82 was the sharpest since early April.

The Bank of England took the opportunity to announce a new £1bn short-dated tap stock, partly because its £300m tranche of 12 per cent 1985 Treasury stock was exhausted in early trading.

The new tap stock - 10 per cent Treasury 1987 - will require only 20 per cent down payment on tender, indicating that the Bank is now very relaxed about its funding programme.

A further 40 per cent will be payable on October 17, with the balance on November 14. The minimum tender price has been set at £97 per £100 of stock.

The gilt-edged market's view that lower interest rates may be in prospect found only a weak echo in the London money markets, where interest rates fell by amounts ranging from 1/8 to 1/4 of a percentage point, with the 3-month interbank rate closing at 9 1/8 per cent, 1/8 of a point down since Friday and the 3-month Madrid last week.

Discussion on other topics proved calmer, but Mr Haraldambopoulos joined his colleagues at the start of the meeting by urging them to adopt a softer approach to Poland, now that martial law had been lifted.

His colleagues' reactions were firmly opposed, with several ministers arguing that new laws were proving just as repressive for the Polish people and that more evidence of a genuine dialogue between government and people was needed before political and economic relations with Poland could be normalised. They confirmed, however, that talks on rescheduling Poland's official debt to Western countries would be getting under way.

The foreign exchange market reflected the same general mood, marking the dollar down by 1 plumping to a closing price in London of DM 2.6605.

The pound also rose against the dollar, gaining 1 cent since Friday's London close to \$1.503 Lex. Page 29: Money Markets, Page 37

## Oil stock rise supports Opec output quota

BY RICHARD JOHNS IN LONDON

THE BUILD-UP of oil stocks in the industrialised countries during the July-September period is likely to be higher than for any quarter in the past three years, according to the latest calculations of the International Energy Agency (IEA).

The IEA's preliminary estimates should give added strength to those voices in the Organisation of Petroleum Exporting Countries (Opec) calling for a retrenchment of the present ceiling on collective production of 17.5m barrels a day (b/d) until the end of the year.

The IEA's latest assessment is that Opec output for the quarter now coming to a close will be 18m b/d - not including 900,000 b/d of natural gas liquids. The latest issue of the well-informed Petroleum Intelligence Weekly says its calculations show Opec production "likely to average around 18.5m b/d".

For the fourth quarter the IEA foresees total non-Communist demand for oil running at 45.7m b/d and the supplies from non-Opec sources running at 25.3m b/d. The exact amount of the additional requirement from Opec will depend on the rate at which inventories are run down after the surge of output during the past three months. The total will include about 800,000 b/d of natural gas liquids

## EUROPEAN NEWS

## Italy moves to shake up chaotic pensions system

BY RUPERT CORNWELL IN ROME

THE ITALIAN Government of Sig Bettino Craxi, the Socialist Prime Minister, last night made its first moves to tackle the country's economic difficulties by examining draft proposals for a partial re-opening of the chaotic existing pensions system here.

Measures to reduce the deficit of the state pensions organisations INPS are essential if the new administration is to make headway in its proclaimed goal of halving next year's public sector deficit to £80,000m (£23.3bn) instead of £120,000m (£33.5bn) in the basis of unchanged policies.

The authorities already are assigned to the 1983 deficit climbing to an unprecedented £90,000m.

Because of a largely unregulated disbursement of disability and retirement pensions, INPS is reckoning on a deficit of £12,000m in 1983 and one of £18,000m next year if nothing is done.

The accumulated deficit could top £50,000m by that time, placing a colossal extra burden on the state in terms of debt interest payments alone.

The measures under study by the Government yesterday



would concern, it is estimated, some 8m pensioners, and help save the state between £4,000m and £5,000m in a full year.

The two main ones would abolish disability pensions for people who already have a monthly income of £900,000 (£377), and remove "topping-up" retirement pensions from

### Seveso accepts compensation for dioxin

SEVESO — the north Italian town which suffered contamination by dioxin seven years ago, has formally agreed to accept a SwFr 15m (£4.6m) compensation offer.

City officials said mayor Giuseppe Cassina would meet Givaudan Chemical Company representatives in Lausanne soon to agree the deal.

The commune of Seveso, near Milan, and about 200 people have been demanding compensation from Givaudan in civil court proceedings.

Givaudan, a subsidiary of the giant Hoffmann-LaRoche group, has already paid out £102m (about £55m) in compensation to the Lombardy region and the Italian state, plus smaller amounts to other local authorities and 25,000 people affected by one of Italy's worst pollution disasters.

Reuter

### Workers occupy Hamburg shipyard in cuts protest

BY JONATHAN CARE IN BONN

THE UNREST in the West German shipbuilding industry reached a new climax yesterday when workers protesting against planned cutbacks occupied one of the country's most famous shipyards.

The action at Howaldswerke-Deutsche Werft (HDW) in Hamburg came after a weekend meeting at which the Bonn Government again ruled out export aid from public funds for the shipbuilders.

Several thousand HDW workers marched through the city waving banners and demanding that the company drop its scheme to close its new shipbuilding activities in Hamburg. The action would mean the loss of more than 2,000 of HDW's 4,000 Hamburg jobs.

Later, the workers occupied

the state if the recipient already has a notional "minimum income" of at least £600,000 (£251) a month.

The onus will be placed on existing pensioners to declare their true incomes to local pensions offices. In this way, it is hoped, the first overhaul will be made of a system whereby in some cases the same individual can receive four or five separate pensions.

Such discrepancies are believed to be particularly widespread in Southern Italy.

Once approved, the draft proposals are expected to be issued as decrees, then incorporated into the Government's 1984 Finance Bill. They have already won broad approval in principle in the discussions which Sig Gianni De Michelis, the Labour Minister, has been conducting with industry and unions in recent days.

Under the constitution, the Finance Bill has to be placed before Parliament for approval by September 30. The Government has already signalled its intention of doing its best to clear the decks so that the Bill can be approved by the end of this year.

The two main ones would abolish disability pensions for people who already have a monthly income of £900,000 (£377), and remove "topping-up" retirement pensions from

### Sweden's jobless rate hits new peak

By Kevin Done, Nordic Correspondent, in Stockholm

THE GREEK Government last night formally buried the expansionary wage policy which had characterised its initial period in office.

Two days after cutting its real GNP growth forecast for 1983 from 2 to around zero per cent, it announced a partial indexation of wages which should result in a 4 to 5 per cent fall in real earnings this year.

The announcement by the Ministry of National Economy said that wages would be increased by 10.2 per cent as

## Greece drops generous pay policy

BY DAVID TONGE IN ATHENS

THE GREEK Government last night formally buried the expansionary wage policy which had characterised its initial period in office.

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Salonika with a sombre speech saying: "We do not claim we have solved the problems of the Greek economy. That would have been practically impossible."

He predicted that Greece's current account deficit for 1983 would be similar to the \$1.9bn (£422m) recorded in 1982.

His speech was widely interpreted as representing the offering of a major olive branch to Greek industrialists who have been disturbed by inconsistencies in government policy

and by such moves as the recent law appointing workers' supervisory councils in the mining sector.

At the same time as Dr Papandreu was announcing the place for private initiatives, party officials were leaking stories about possible impending prosecutions of some of the major industrialists in the country.

The Government has now clearly set the battle against inflation as one of its main targets.

## Dutch closer to lower pay for shorter week

BY WALTER ELLIS IN AMSTERDAM

FURTHER evidence that the Netherlands is moving ineluctably towards a shorter working week and proportionately lower pay came yesterday with a statement from the FNV, largest of the Dutch trade union federations, that employees must be prepared to accept the costs of reducing working time as the price for creating new jobs.

FNV has been slowly moving towards this policy for some months. Yesterday, however, at a conference in Amersfoort between union leaders and members of Parliament, it laid down an official policy. "A clear agreement has got to be laid down," the union said.

Such an agreement would mean in practice the acceptance by workers of lower wages and higher social security premiums. In the Netherlands, employers at present pay

between 25 and 33 per cent of social security premiums, with employees paying the rest.

A short working week would mean that wages would drop, and with them the wage-related contributions. In order to maintain the same level of benefits as budget adjustments aside, workers are being asked by the Government to accept more of the burden themselves.

The FNV, in agreeing to this, is moving far beyond its normal parameters. Yesterday, however, at a conference in Amersfoort between union leaders and members of Parliament, it laid down an official policy. "A clear agreement has got to be laid down," the union said.

More than 800,000 people, representing an estimated 17.5 per cent of the workforce between 16 and 65, are now unemployed in Holland. This is the highest percentage in the European Community. Belgium, with 14.8 per cent, is next, and

Britain stands as 12.3 per cent, and the deterioration, though slowing, is far from ended.

The Organisation for Economic Co-operation and Development (OECD) expects the total next year to exceed 1m.

The Government, in a bid to do more without abandoning its principles of putting industrial recovery and steps to curb inflation first, decided early this year that a graduated reduction in the average working week from 40 hours to 38 would create a partial jobs vacuum into which new workers could rush.

The unions were extremely sceptical at first, but have since come round to this view. Their main worry remains that the new jobs will prove an illusion, while the pay cuts will be all too real.

A report from the Dutch

institute for medium-sized and small businesses reported in July that up to 120,000 new jobs could be created by a 5 per cent cut in the length of the working week.

Agreements to this specific end have been signed between employers and workers in a number of sectors, including the banks and printing. But fears still exist that companies generally will not start filling the jobs gap until the recession lifts, when they would have taken on more staff anyway.

The industry section of the FNV is certainly wary of being asked to pay before the goods are clearly on the table. It spoke independently yesterday of the danger of workers being asked to pay a double penalty — less wages and higher social premiums. "Too much of a good thing," was its verdict.

## London, Paris reject Hague call on missiles

BY OUR AMSTERDAM CORRESPONDENT

A CALL by the Dutch Parliament for British and French nuclear weapons to be included in the East-West Strategic Arms Reduction Talks (Start), has drawn angry retorts from London and Paris.

The UK and French embassies in The Hague both issued weekend statements in which the suggestion was rejected as unacceptable.

The British reply said that it had been agreed within Nato ever since 1978 that the nuclear weapons of third countries should not be included or taken into account in negotiations between Washington and Moscow.

"It is clear," the statement added, "that the Soviet Union is trying to use the issue of British and French nuclear missiles.

It called on the Dutch Government "to urge the U.S. and the other allies at an early date that the presence of the British and French nuclear forces be taken into account in some way or other, either in the negotiations of medium-range missiles or in those on strategic weapons."

"This remains unacceptable to the alliance as quite incompatible with security and East-West stability."

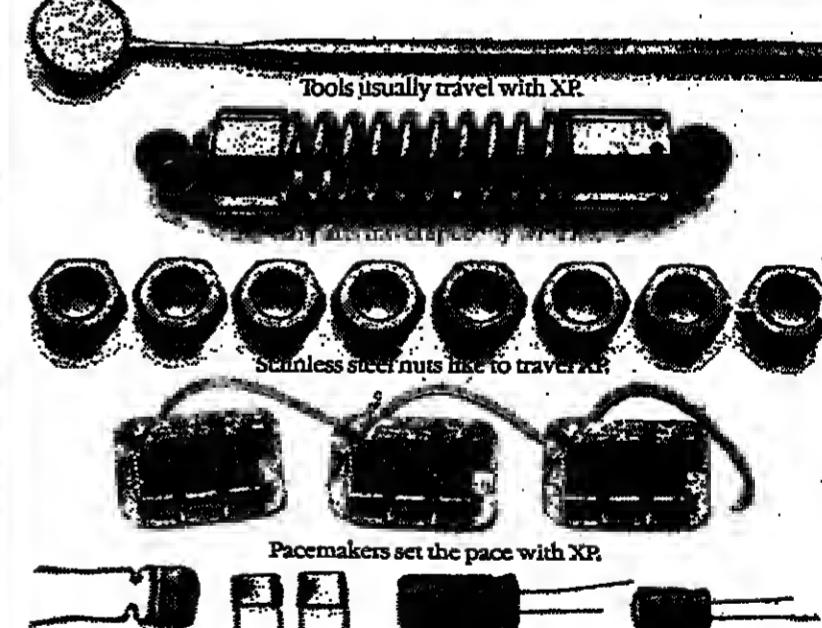
For its part, France said that "inclusion of the French nuclear forces in the negotiations on medium-range missiles is unacceptable."

It added: "Inclusion of the French nuclear forces at Geneva would, moreover, place the French nuclear forces on a par with only the intermediate-range Soviet nuclear forces, which is absurd, since French

forces serve to confront the entirety of threats to France, which are as diverse as they are numerous."

Mr Hans Van Den Broek, the Dutch Foreign Minister, had said prior to the issuing of the two statements that he would raise Parliament's request with his Nato colleagues to see if it was possible for the UK and French nuclear arsenals to be included in the Start talks.

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## EUROPEAN NEWS

## Pressure grows for land reform in south Spain

BY TOM BURNS IN MADRID

SIMULTANEOUS mobilisations by Communist and anarchist orientated peasant unions in Southern Spain are placing growing pressure on the once-powerful anarchist tradition of Andalucia. The manifesto called for the common ownership of land which it terms "a public utility".

The mobilisations are more extensive than in previous years and are timed to coincide with the Andalucia Junta's proposed legislation on the emotive agrarian reform issue.

Communist and SOC leaders accused the Socialist regional government of drafting a lukewarm bill that will seek principally to transfer the management of state properties from Madrid to the Junta's agrarian department.

Left-wing critics of the regional government said statistics show that 50 per cent of productive land in Andalucia belongs to 2 per cent of the property holders in the agricultural census.

Seasonal unemployment in Southern Spain is estimated to affect some 160,000 landless labourers.

The SOC, which has spear-

### Soares acts to fend off threat of 'hot autumn'

BY DIANA SMITH IN LISBON

THE PORTUGUESE Government is taking steps to assert its authority in the face of Communist threats of a "hot autumn".

Plans of Sr Mario Soares' Socialist-Social Democrat coalition to retrain public spending will drastically increase unemployment, ending long overmanning in the public sector where tens of thousands of unnecessary jobs have been artificially-subsidised.

Opponents of mass redundancies have led Sr Alvaro Cunhal, the Communist leader, to threaten the Government with widespread destabilisation.

The administration has responded with warnings of imprisonment for anyone who tries to prevent proper functioning of public transport or public services, or blocks roads, or

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## Turkey's President promises democracy

By Our Ankara correspondent

TURKEY ended its third year under military rule yesterday with a fresh pledge from President Kenan Evren that parliamentary democracy will be restored after the general elections in November.

The mobilisations are more extensive than in previous years and are timed to coincide with the Andalucia Junta's proposed legislation on the emotive agrarian reform issue.

Communist and SOC leaders accused the Socialist regional government of drafting a lukewarm bill that will seek principally to transfer the management of state properties from Madrid to the Junta's agrarian department.

Left-wing critics of the regional government said statistics show that 50 per cent of productive land in Andalucia belongs to 2 per cent of the property holders in the agricultural census.

Seasonal unemployment in Southern Spain is estimated to affect some 160,000 landless labourers.

The SOC, which has spear-

All summer the battle of the French budget raged. David Housego predicts the outcome

## Mauroy emerges a cut above Delors

IT WOULD be hard to imagine a French post-war budget constructed with more pain than the one which M. Jacques Delors, the Finance Minister, will put before the Cabinet tomorrow.

The French economy is moving into a period of recession with the prospect of little or no growth over the next two years. Nonetheless, some expenditure will go up. The Socialists have managed to halve the rate of annual increase in social security spending in recent years for instance, but it will still rise by some 3 per cent in real terms. Even with no increase in benefits, that means an additional cost of FF 20bn (£1.6bn) a year.

The sharp rise in Government debt which followed from the Socialists' initial expansion of the economy has now produced a sharp increase in the cost of public service. With interest rates in France still over 13 per cent on Government paper, the cost of state debt has risen.

This was a clear reference to the banished conservative former Prime Minister, Mr Suleyman Demirel, who has often made such accusations in private against the military.

President Evre listed 10 questions for these people to answer which included: "You left Parliament deadlocked for six months and didn't produce one single law. What would you have done with another six months?"

He also claimed that inter-party criticism of Turkey's military was incited by various "circles of traitors" working through the world's press for ideological ends.

"No country in the world has had such a gentle military administration as Turkey" he said. "A lot of people visiting Turkey from other countries do not even realise that it has a military administration."

There was relatively little reaction elsewhere to the anniversary. Turks will probably take many years to adjust to the profound changes it has made to their legal system and institutions, mostly in the direction of ensuring greater uniformity and central control.

The military has passed 581 laws since it took power, and a new constitution was brought in last year. The coming general elections will be the first to be held for a smaller unicameral parliament under new political parties and electoral legislation.

The pre-coup political parties have all been banned and the majority of former politicians are banned from resuming activity for periods of between five and 10 years.

The flavour of some of the new legislation introduced in the final weeks before the run-up to the general elections may be symbolised by a law introduced last week which gives all Turks numbers and allows information about them to be kept in a national databank.

However, the military has also allowed two potential sources of opposition to come into being in the last few days. The Correct Way Party which is largely made up of followers of Mr Demirel, and the Social Democracy Party have finally had their quotas of founder-members approved by the military.

They will not be allowed to contest the November elections.

### Italy steel-mill producer sees bright future

By James Buxton in Bari

DANIELI, Italy's leading steel mill maker, has underlined its assertion that there is still considerable growth in this sector of the industry by increasing profits by 44 per cent.

The parent company's profits rose to L10.1bn (\$6.32m) for the year ended June 30, 1983, from \$7bn the previous financial year. Sales rose 16 per cent to L155.7bn and cash flow was up 30 per cent to L15bn.

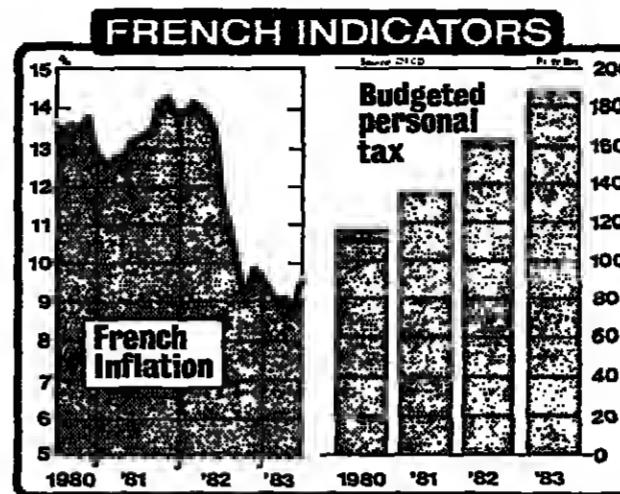
The company, based at Buttrio, near Udine, in north-east Italy, designs and builds steel mini-mills and direct reduction plants in Western and Eastern Europe, the Soviet Union, the U.S. and in developing countries.

It believes it could benefit from the renewal of the European and U.S. steel industry, which it thinks will concentrate on small, flexible and energy-efficient plants to replace the vast integrated complexes of the past.

Danieli says the U.S. industry, which has a particularly high proportion of obsolete steelmaking plant, is now realising the need to replace it and could present a market worth L20bn in mini-mill construction alone.

Europe, the company says, has been slower reaching that conclusion, though in Italy, where the renewal of public sector steel plant had virtually stopped, Danieli claims to be "comforted" by obtaining its first three orders from the state sector in the past year.

Danieli's order book at the end of June stood at L180bn, substantially less than the previous year when it was L280bn because of the partial completion of work on a big contract for a mill in the Soviet Union.



devaluation measures: FF 10bn from an increase in pension contributions; and some FF 5bn from further cuts in spending.

The Government has saved some of its priority programmes—such as the new nationalised industries—trimming all of which will benefit from much higher boosts in spending than the 6.5 per cent ceiling. But investment in the modernisation of industry, a major Socialist objective, will this year be 15 per cent below the average for the years 1978-80. Investment by the main state corporations like the railways, and the electricity industry will be down 5 per cent in real terms. Tax concessions for industry have also gone by the board.

The fresh increases in taxation next year will push France close to the limit of public tolerance. The French will next year be paying in tax and social security contributions as a proportion of GNP some 45 per cent, considerably higher than the 40 per cent in Britain or the 37 per cent in West Germany.

Those in middle to high incomes have seen their tax bill rise by between 30 and 50 per cent over the last two years. M. Delors' central gamble is whether or not he can limit the overall increase in expenditure to 6.5 per cent. This depends on bringing down the rate of inflation next year to 5 per cent from its current level of around 9 per cent.

To achieve this, he must ensure that the increase in civil servants' and teachers' salaries next year (some 40 per cent of the budget) is held to 5 per cent and hope that the Government will pick up other savings (lower interest rates, for instance) from the pursuit of deflationary policies.

M. Delors initially argued for a straight 2 per cent tax increase assessed on all incomes, because he believes that the marginal rates in France on earnings and the higher paid are particularly encouraging. He was howled down by the radicals in the Socialist Party on the grounds that the tax would hit the poor as much as

the rich.

The radicals sought to put the burden on the rich through higher income tax and additional levies on wealth, and found considerable support from M. Pierre Mauroy, the Prime Minister. M. Delors then returned to the attack, proposing fresh cuts in public expenditure.

His fear is that the European economy, including France, remains in a rut next year he will have no leeway to meet increased expenditure demands.

The compromise agreed works out in M. Mauroy's favour. Of the FF 10bn needed, some FF 15bn is to come mainly from a new surtax and an increase in death duties.

M. Delors initially argued for FF 40bn to keep the deficit within the 3 per cent ceiling and debate has raged all summer long within the Socialist party and the Government on where the funds will come from.

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## OVERSEAS NEWS



## S. African industry charmed by the best of both worlds

By J. D. F. Jones in Johannesburg

**PIETERMARITZBURG** has an old-fashioned image. It is full of Natal's historic buildings, the battlefields of the Boer War are within easy reach for the tourist, and the Union Jack flies over the Victoria Club. The city was not amused to find itself the setting for Tom Sharpe's scathing novels.

But Maritzburg, for short, has recently leapt into the 20th century. Responding to South Africa's major nationwide industrial development programme, it has decided to demonstrate that investors need not always flock to the district which enjoys the richest incentives from Pretoria.

Incentives are graded in line with a region's poverty, but also to reflect the need to create jobs for the local (black) population, which would otherwise be forced into the (white) urban areas.

Thus, forty-fallen rural "homelands" such as Ciskei, have been granted dramatic incentives for new industry—for example, a R10 (£55) per month cash rebate on wages. Areas of less urgency, like Maritzburg, were classed as "deconcentration points", with the intention of drawing away new industry from nearby metropolitan areas (in this case Durban), and allowed only a R25 per month rebate.

The idea, no doubt, was to make industry an offer it couldn't refuse to move out into remote areas. But the Development Regions are in many cases too poor, rural and despite some modest local successes—for example in Bophuthatswana and Ciskei—the programme is an overall failure nationwide.

Maritzburg, on the other hand, sees itself as offering the best of both worlds, not too remote yet not overcrowded. The result of this thinking has been an impressive influx of new businesses, national and international, in the last couple of years.

Before that, the city's industry had gone through eight years of semi-stagnation after Maritzburg lost what were then called "border area" privileges in 1971. But a get-up-and-go team of councillors and officials, led by a formidable Mayor named Pamela Reids, then set out to put matters right.

The result is that, in the past two years, 50 industrial developments have been concluded, involving the sale of 90 hectares of industrial land inside the city boundaries (16 hectares of this to overseas companies), bringing the creation of 4,000 jobs.

The reasons for this success are not hard to analyse:

• Just outside the city limits is a segment of the self-governing but non-independent "homeland" of KwaZulu, where the Edendale Valley is reckoned to contain a labour pool of 250,000 blacks who can "commute" by bus into Maritzburg's industrial areas every morning. Equally importantly, Maritzburg can claim to have a full range of skills available in its labour force: white, Indian, black, managerial, semi-skilled and unskilled. It is therefore tends to attract the semi-sophisticated new industries, whereas the more remote developments areas for all their extra incentives, offer only unskilled labour.

• Proximity to the coast and to Durban port (4 miles away) is an added attraction, as is the fact that Maritzburg is a beautiful university town, attractive to managers and their families.

• There are no problems with infrastructure. The Johannesburg metropolitan area is accessible from Maritzburg by motorway and railway. The authorities have been active in preparing industrial sites.

So far the momentum has been strong. Natal Nylon Industries' works with Belgian finance, is nearing completion and will bring 500 jobs, joining other internationally funded operations such as Scottish Cables and Van Leer SA; several more are in the planners' pipeline.

But although the pace may start to slacken as the recession bites more deeply in South Africa, the activity on the industrial estates suggests that Maritzburg will not be going back to sleep again.

## Zimbabwe forecasts lower deficit

BY QUENTIN PEEL, AFRICA EDITOR

A COMBINATION of drought and lack of demand for mineral exports is likely to result in a current account deficit in Zimbabwe of \$230m-\$400m (£190m-£250m) this year, according to Dr Bernard Chidzero, the Minister of Finance.

The shortfall would represent, however, an improvement on the \$253m (£237m) current account deficit recorded last year, and Dr Chidzero expected a further recovery in 1984 as exports picked up.

However, a major factor in the improved current account position this year is likely to be substantial cuts in imports, which have forced many sectors of manufacturing industry to cut back production capacity.

Dr Chidzero, who was speaking in Dublin before his departure for the U.S. with Mr Robert Mugabe, the Prime Minister, said the effects of

ANY ATTEMPT by Britain to force Zimbabwe to release detainees by cutting aid would be a "colossal mistake," Dr Bernard Chidzero, the Zimbabwe Minister of Finance, said. Indirect statements to that effect had been made in relation to the continued detention of four former Zimbabwe air force officers accused of sabotage charges, he said.

"We greatly appreciate the aid which the British have given, but if they really think that by cutting down on aid they will coerce us, then they are making a very serious mistake."

the present foreign exchange crisis had been mitigated by the current International Monetary Fund programme.

### Australian balance of payments improve

By Michael Thompson-Noel in Sydney

DESPITE a surging import bill, Australia's balance of payments shows a moderate improvement last month, boosted by a net capital inflow of A\$956m.

Imports rose by 12 per cent to a 17-month high of A\$2m, while exports improved by only 2 per cent to A\$1.97bn.

### Bomb blast damages Pretoria embassy

By J. D. F. Jones in Johannesburg

THE CISKEI Embassy in Pretoria was damaged by a bomb explosion late on Sunday night as South Africa continued to experience a wave of "ban terror".

On Saturday morning electricity substations in two Johannesburg suburbs were damaged by limpet mines.

### 150 executed as China's crime purge builds up

BY MARK BAKER IN PEKING

MORE THAN 150 people have been executed in the past three weeks as China's current crime purge gathers momentum.

Reports reaching Peking indicate that systematic executions have occurred in at least 11 cities so far. In each case the criminals have been paraded in public before being led away to be shot.

A Communist Party document circulated to court authorities has directed that the death penalty be given in all cases where it is an option.

In an attempt to counter rising violent crime and urban hooliganism the Chinese Government has ordered that more than 100,000 suspected criminals

be rounded up by next February.

The death penalty has been applied to an expanded range of crimes and people convicted of lesser offences are being given stiffer jail terms or sent to work in remote labour camps.

Reports of executions have been increasing since 30 convicted murderers and rapists were shot in Peking on August 22 after being paraded before a crowd of more than 80,000.

A particular target of the purge are members of urban youth gangs, but the authorities also want to make an example of serious fraud cases.

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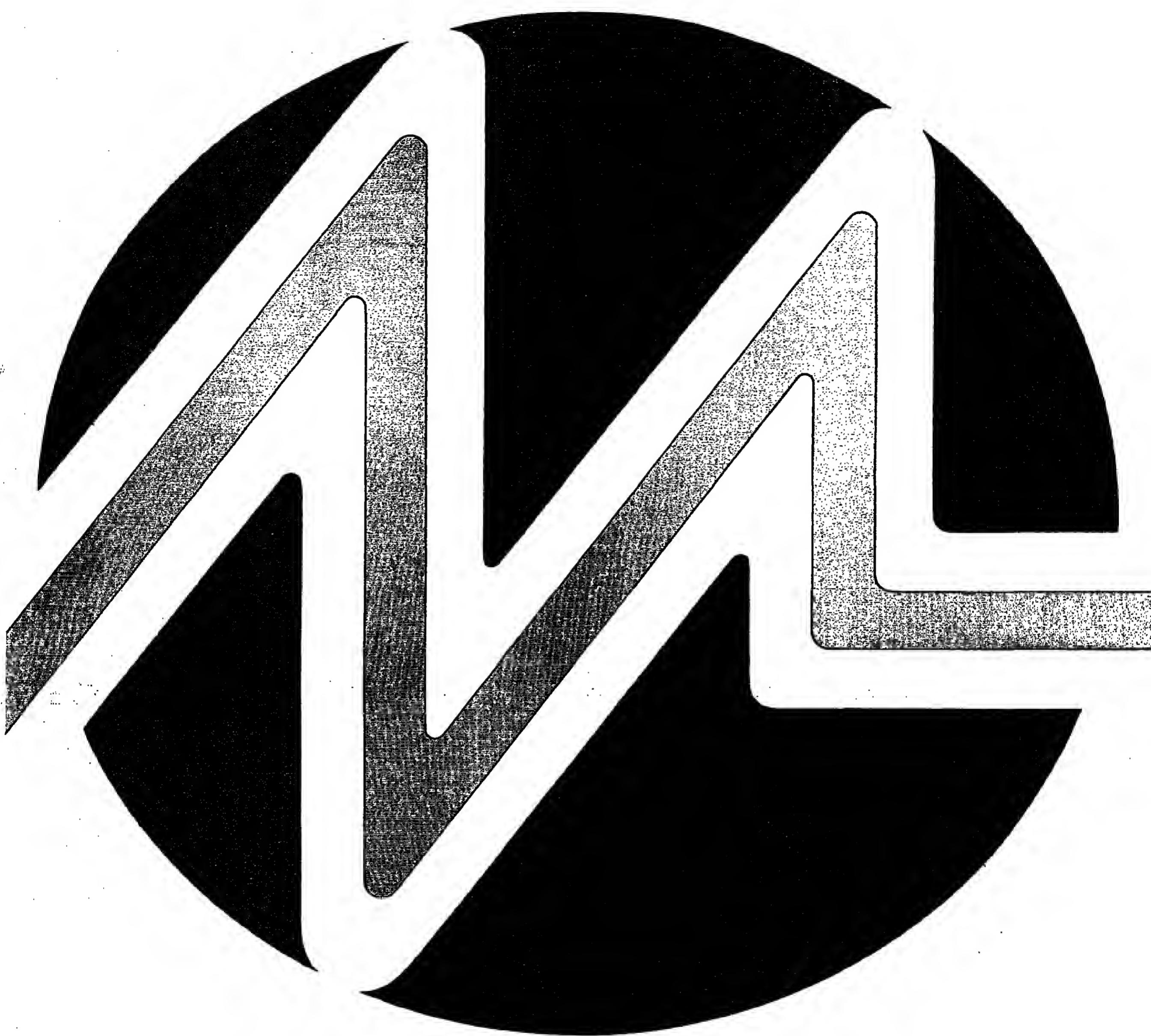
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## WORLD TRADE NEWS

## High technology investment to be stepped up in Taiwan

BY BOB KING IN TAIPEI

THREE LARGE U.S. companies—Texas Instruments, Key Tronic, and American Telephone and Telegraph—plan multi-million-dollar investments in high-technology manufacturing in Taiwan.

Texas Instruments (Taiwan) has received Government approval of a \$12.5m increase in capitalisation for its existing integrated circuit plant in Taipei. Although the company was unavailable for comment on the reasons for the new investment, the Texas group is likely seeking to expand its already-considerable integrated circuit capacity.

In 1981, the company's exports topped \$90m, making it Taiwan's fourth-largest electronics exporter that year.

Key Tronic, a computer keyboard maker, will formally submit its application to the Government on September 15 for the establishment of a \$16.5m plant to make state-of-the-art keyboards here.

According to Mr Hyder Chang, Key Tronic's Asia marketing director, approval of the application is virtually assured because the project results from a Government invitation.

## Foreign car producers make gain in France

FOREIGN manufacturers had a 33.7 per cent share of the French car market in the first eight months of this year against 32.6 per cent in the first seven months, the French Car Manufacturers Association said, in Paris.

Foreign car registrations in August were 42,500, giving an cumulative total for the eight months of 457,900, up from 497,700 in the same period.

New French registrations in August were 125,900, giving a cumulative 1983 total of 1.34m, a 0.4 per cent gain on 1982.

State-owned Renault, France's leading manufacturer, saw its share of registrations drop to 34.5 per cent in the year to August from 38.2 per cent in the same 1982 period.

But the privately-owned Peugeot group showed a small recovery during the eight months, with the Peugeot/Lalbot market share at 19.5 per cent against 18.3 per cent and Citroen at 18.2 per cent against 12.9 per cent.

The minimum contract value is £30,000 and the contracts for financing

Anthony Moreton examines moves to renegotiate trading agreements

## Textile nations fear North American curbs

FEARS are growing among low-cost textile producing countries over what they see as increasing protectionism in the U.S. and Canada.

In the last three months the U.S. has sought to renegotiate 50 bilateral trading agreements, none of which is more than 20 months old.

Hong Kong has been the most severely hit by these moves since the U.S. has called for 20 bilateral deals to be revised. These were negotiated as part of the Multifibre Arrangement (MFA), the agreement signed in Geneva at the end of 1981 which governs most of the world's trade in clothing and textiles.

The U.S. is by far the largest overseas market for Hong Kong. Last year it took more than 50 per cent of Hong Kong's exports.

Other countries which have been hit by American demands for renegotiation include Pakistan and South Korea.

Canada has been accused of breaking the spirit, if not the letter, of the international trading rules under the General Agreement on Tariffs and Trade (GATT) by introducing non-tariff measures to trade in the last two months.

Although these barriers also cover trade with Western Europe, the principal aim is to restrict clothes entering the country from the Far East, especially from Hong Kong, China, South Korea and Taiwan.

Canada has decreed that imports of clothes must now pass through the hands of just 26 customs officials, all of whom have undergone a training course intended to help them in tougher inspection procedures.

The effect this will have on imports is made worse by the fact that nine-tenths of Canadian imports enter the country through Montreal and Toronto to which just 11 of the officers have been allocated.

The move is reminiscent of France's action earlier this year when it decreed that all imports of Japanese video recorders had to go through an out-of-the-way customs post in Poitiers.

The effect on clothing imports

is much more severe than it

was on videos because clothes are much more time-sensitive than most other goods.

The shops are now gearing up for the autumn selling season and if clothes are held in customs' warehouses for three or more months, as has been claimed will happen, they could reach the racks after the buying peak has passed.

Both the American and Canadian actions have been taken as a consequence of strong currencies. U.S. exports (Canada is not a major clothes manufacturer) have been declining as imports have increased rapidly.

The move is reminiscent of France's action earlier this year when it decreed that all imports of Japanese video recorders had to go through an out-of-the-way customs post in Poitiers.

To curb the imports the U.S. has called for consultations with suppliers, a legitimate pro-

cedure under the MFA but not one widely used.

A Pakistani trade official said recently: "We always thought the EEC's basket-extractor mechanism (a procedure by which a sudden surplus in supply can be temporarily restricted) was the worst thing about the MFA, but these consultation calls are turning out to be much more severe."

Third World countries are concerned that pressure for more consultation calls will increase in the U.S. over the next 12 months in the run-up to the 1984 presidential election in November. "Turbulent pressure groups in the U.S. are very strong, indeed," said the Pakistani official, "and with an election coming it will be very difficult for politicians to stand up to them."

## Irish exports show rise of 7 per cent

BY BRENDAN KEENAN IN DUBLIN

JAPANESE oil importers expect to raise imports of Mexican crude oil to 160,000 barrels per day, the contracted volume under the present long-term deal, from the current 110,000 b/d from October 1. Rester reports from Tokyo.

The increase was requested by Pemex, the Mexican state-run oil company.

IRELAND EXPORTS PERCENTAGE MARKET SHARE		
	1982	1981
UK	38.5	40.2
EEC (ex UK)	31.8	30.7
N. America	8.4	8.2
EFTA	4.2	3.9
Others	16.2	17.0
Total	100.0	100.0
		+1.9

the future export trends.

Some sectors of traditional Irish industry, such as clothing and furniture, showed substantial gains, others such as leather footwear and glassware recorded only slight changes.

The CTT has been given wider powers to encourage the export of services such as agricultural consultancy, medical services, and computer software. It is also expected that the forthcoming white paper on industrial policy will recommend a greater emphasis on export promotion.

The board expects a slightly better performance this year, with a 9 per cent growth in volume as compared with last year's 7 per cent.

## India in agreement on rescheduling with Iraq

BY R. C. MURKIN IN BOMBAY

THE INDIAN Government has reached agreement in principle with Iraq on rescheduling for the approximately Rs 1.2bn (£28m) in construction contracts under execution by Indian companies in Iraq.

An official team led by a representative of the Export-Import Bank of India will go to Baghdad in a fortnight to sign an agreement to extend credit facilities for the portion of the contract value due for payment. This component, says an EIB bank official, works out to less than 50 per cent of the

contract value.

Iraq has agreed to pay cash for priority contracts and is asking for deferred payment facilities for non-priority construction works.

The protocol envisages Indian banks extending credit for \$40m to be paid over a three-year period.

The foreign currency credit India is extending is in addition to the rupee component. Indian banks are extending to construction companies for the wages remitted by Indian labour back home.

## U.S. trade adjustment programme faces axe

BY NANCY DUNNE IN WASHINGTON

A MID-WESTERN U.S. manufacturer of medical X-ray machines found itself losing business to foreign competitors when it turned to a U.S. Government-funded Trade Adjustment Assistance Centre (TAAC) for help.

The Centre, responding with strategic assessment advice and loans, turned the business round. Sales bounded up from \$80m to \$120m (£53m to £80m) a year, and the company finally hired 500 new workers bringing its payroll to £1,300.

Not all businesses which go to TAAC centres become thriving concerns, however. In government loan extended to business under the Trade Adjustment Assistance Programme has ever been unsuccessful, according to Mr Daniel Fennell, director of the Mid-Atlantic TAAC, one of the 13 U.S. regional centres which aids business.

The programme, which provides assistance to individual workers as well as companies hurt by imports, has been active since 1975. However, because it is opposed by the Reagan Administration, trade adjustment assistance (TAA) may come to an end on September 30 when the programme's 30-year anniversary is reached.

Many trade analysts fear that loss of TAA will open the way for new protectionist legislation because the programme absorbs much of the political heat generated by import-hit industries. They worry that instead of offering financial and technical aid to ailing companies Congress or the Administration might feel compelled to impose higher tariffs or new quotas.

The Bill would continue financial and technical aid for business at its current \$27.5m a year level, but it also provides more funds for research and development efforts.

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## State plan to exploit defence technology

By David Fishlock, Science Editor

THE UK Government's monopoly over inventions made in state laboratories and universities in Britain, is to be abolished, Prime Minister Mrs Margaret Thatcher announced yesterday.

The Government is also exploring the idea of a "club" of financial institutions that would visit defence research establishments, seeking ideas and inventions with commercial potential.

These changes were disclosed at a seminar in London called by Mrs Thatcher to discuss Britain's shortcomings in the exploitation of new ideas and inventions.

Her decision ends nearly two years of uncertainty for the British Technology Group, formed from the merger of the National Enterprise Board and the National Research Development Corporation, to exercise the government's rights over inventions.

The NRDG was given the monopoly when it was originally created in 1949, with the primary role of protecting Britain's "intellectual property" against foreign exploitation.

Mrs Thatcher said the monopoly had been a mistake. It was "very restrictive and widely criticised, not least by scientists wanting to exploit their work."

Mr Michael Heseltine, Secretary for Defence, said his ministry was planning to invite groups with access to venture capital to organise themselves into a club that might produce a portfolio of defence research ideas with commercial potential.

The groups it was talking to included Barclays Bank, Lazard Frères, Cogent, Hereford Venturers and the Cranfield Business Institute.

"In essence they will act as technology brokers between our establishments and the high-tech industries," Mr Heseltine said.

The plan was to start at the Royal Signals and Radar Establishment.

But this pilot experiment would be followed by similar initiatives at the Royal Aircraft Establishment, Farnborough, biggest of the defence ministry's research establishments, and Navy laboratories.

This slight fall - after allowing for seasonal factors - may be taken as a pointer by those economists

who believe that the rate of growth of the economy as a whole will decelerate in a few months' time.

Both the National Institute of Economic and Social Research and the Confederation of British Industries

believe that the rise in national

## Labour blames party machine for poll defeat

By KEVIN BROWN

THE LABOUR PARTY tried and failed yesterday to turn its back on the bickering that marred its general election campaign in June this year.

There was virtual unanimity on the national executive committee (NEC) that the policies on which the party fought the election were not responsible for the scale of the defeat.

Instead, Left and Right agreed that the party organisation was run down and inefficient compared to the vote-winning machines fielded by both the Conservatives and the Social Democratic Party/Liberal Alliance.

But even as Mr Neil Kinnock, the leading contender for the Labour party leadership, was calling for the party to "modernise, work become more sensitive and unified," Mr Michael Meacher, the left-wing candidate for the deputy leadership, was distributing a statement bitterly critical of Mr Roy Hattersley, the centre-right leadership candidate.

The NEC avoided a row over a leaked report by Mr Denis Healey, the present deputy leader, criticising both the party's organisation and its public confusion over policy.

The meeting was expected to be bad-tempered, but in the event the only clash came when Mr Dennis Skinner and Mr Laurence Coates, left-wing leader of the party's youth section, claimed the election defeat was largely the result of the right-wing campaign against the editorial board of the Militant newspaper.

Mr Coates, who urged the party to organise on the lines of the successful French and Greek socialist parties, was rebuked by Mr Healey, who pointed out that both parties had begun by expelling their Trotskyist fringes.

Mr Michael Foot, attending his last meeting as party leader, had little to say except to thank the NEC for its support of his leadership.

The NEC responded by making clear that he carried no personal blame for the election defeat.

Mr Kinnock left the meeting in evident good humour, claiming the

party's election post-mortem had been "more of a biopsy than an autopsy." This party is still very much alive," he said.

He told the NEC that the party's election policies were not a significant cause of its defeat, but he admitted the divisions in the party were "the source of any lack of authority so far as the electorate was concerned."

Later, in a speech to party workers in Stoke, Staffordshire, Mr Kinnock called for the party to double its 273,000 membership in the next 18 months. He urged widespread reforms to streamline the party machine, including the appointment of an election manager, and warned that perpetual constitutional conflicts "cut us off from the people."

He also appealed for party members to stop "contriving" rows in the media which greatly damaged the party for factional advantage. Party members' venom was "better expended on Labour's enemies," he said.

## Pace of consumers' spending slows down

By MAX WILKINSON AND DAVID CHURCHILL

SPENDING in shops slowed in August from the brisk rate of trading in the early summer, according to official figures published yesterday.

However, retailers remained generally confident that the recent sales boom was not yet petering out.

Provisional estimates from the Department of Trade and Industry put the volume of retail sales in August at 13 per cent above its level in 1978. In June and July sales had been running at about 16 per cent above the average for 1978.

This slight fall - after allowing for seasonal factors - may be taken as a pointer by those economists

who believe that the rate of growth of the economy as a whole will decelerate in a few months' time.

During the first eight months of this year, trade was running at a level which was 4 per cent higher than the average for last year as a whole, and the major retailers con-



tinued to expect good sales until at least the end of the year.

The Retail Consortium, which represents the bulk of Britain's retailers, conceded yesterday that there was some easing off of the buoyant trading conditions. "But this is by no means the end of the so-called boom," a spokesman added.

Retailers have been reporting to the consortium very good sales figures in the early summer months as a result of heavy price promotions. August is traditionally seen as a slack month.

Growth to slacken, Page 11

## TOURISTS NOT ALLOWED

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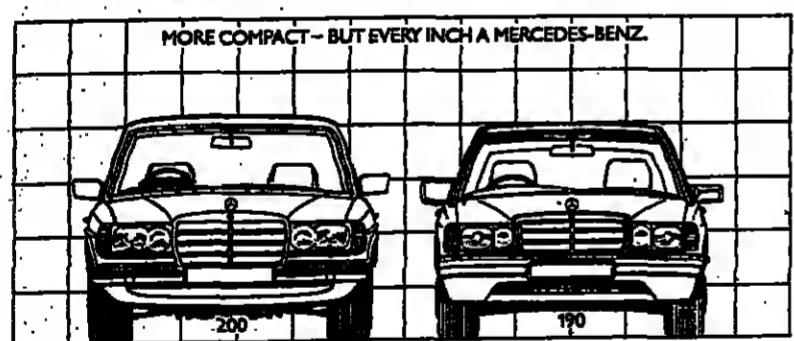


IT'S



The new compact Mercedes-Benz 190 is a foot shorter and 600 pounds lighter than its cousin, the 200 saloon. But thanks to ten years of intensive research and development, and some of the most advanced automotive engineering on the road, it is every inch a Mercedes-Benz.

As Steve Cropley, Editor of 'Car', wrote: "Few things are small about the stunning Mercedes-Benz 190 - apart from the road area it occupies."



#### 1973: THE CONCEPT

The 190 is based on a unique concept: to produce the first car offering the build-quality, integrity, safety and comfort of a Mercedes-Benz in compact form. It took ten years to meet the triple objectives:

1. Achieve lively performance and low fuel consumption.
2. Produce Mercedes-Benz standards of comfort and safety.
3. Ensure that the total reliability matched those of the other cars in the range.

Had all three objectives not been met superbly, there would have been no Mercedes-Benz 190 in 1983.

#### SPRINTER AND MARATHON MAN IN ONE

##### FUEL CONSUMPTION TEST: 190 (190E)

Transmission	Simulated Urban driving		Constant speed driving 90km/h (56mph)		Constant speed driving 120km/h (75mph)	
	L/100km	mpg	L/100km	mpg	L/100km	mpg
4-speed manual	10.7 (10.3)	26.5 (27.6)	6.5 (6.4)	44.3 (43.9)	8.4 (8.3)	33.7 (34.1)
5-speed manual	10.7 (10.3)	26.5 (27.6)	5.8 (5.8)	48.7 (48.9)	7.8 (7.8)	36.3 (36.2)
Automatic	10.5 (10.3)	27.0 (27.4)	7.0 (6.9)	40.4 (41.0)	8.9 (8.7)	31.7 (32.5)

There are two engine options and three gearbox options. The 190 has a two-litre, carburettor engine; the 190E's two-litre engine is fuel-injected. Both models are available with 4- or 5-speed manual gearboxes or a 4-speed automatic.



The outstanding figures in the chart show what can be achieved when an exceptionally low co-efficient of drag (0.33) and high-strength, low-weight materials are combined with totally refined engines and gearboxes.

#### THE 190: TWO LITRE CROSS-FLOW FOUR-CYLINDER ENGINE, REFINED TO PERFECTION.

The cross-flow units in the 190 and 190E achieve high torque at low engine speeds, so manoeuvres like overtaking in heavy traffic are effortless, and the smoothness and quietness with which they are accomplished is decidedly unusual for cars of this size.

And, because four cylinders have a lower friction-loss factor and occupy less space, they contribute to less fuel consumption.

The 190's engine produces 90DIN/hp, and has contactless, transistorised ignition.

#### THE 190E, WITH THE WORLD'S MOST ADVANCED ELECTRO-MECHANICAL FUEL INJECTION SYSTEM.

The 190E's fuel injection system combines the reliability of a mechanical system with the advantages of electronics; the electronic 'fine tuning' helps reduce fuel consumption by varying the mixture according to the driving situation, and incorporates a fuel cut-off on the over-run.

#### FIRST COMPACT CAR THAT FEELS LIKE A MERCEDES-BENZ.

By developing a new coil-spring shock absorber strut front suspension as well as a revolutionary new, patented multi-link rear suspension, the engineers have achieved the same legendary 'ride' characteristics as the larger Mercedes-Benz models.

#### LESS IS MORE.

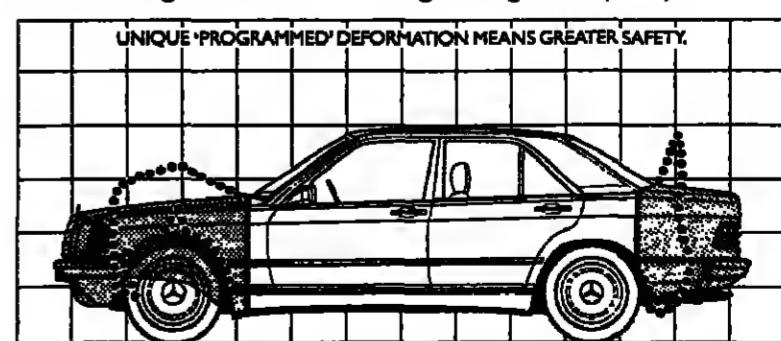
The 190 is not a long car, but it has an unusually long wheelbase, which combines with the powerful engine to allow a dynamic driving style in maximum safety and comfort.

The overall length is only 14 feet 6 inches, the turning circle just 34 feet 10 inches. Yet the 190 transports four full-sized adults in comfort.

#### SAFETY THAT EXCEEDS ALL INTERNATIONAL REGULATIONS.

The active and passive safety features of the 190 match the standards set by other Mercedes-Benz cars, exceeding, by far, all national and international safety standards.

This is only possible because the 190's sturdy, light-weight design is unique. High-strength micro-alloyed sheet metal, light alloys and special plastics have been used to reduce weight without reducing strength or quality.



#### ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

The compact 190 exists in 1983 because it is not a small car in any conventional sense. It is every inch a Mercedes-Benz.





## Building societies stand firm on keeping rate cartel

BY MARGARET HUGHES

LEADING building societies in Britain were adamant yesterday that they would not be following the lead of the Abbey National society in withdrawing from the interest rate cartel.

Abbey, Britain's second largest society, announced last weekend that the system operated by the Building Societies Association of fixing interest rates for borrowers and depositors had "outlived its usefulness." In future it would take its own decisions, it added.

The view among Abbey's chief rivals yesterday was that the decision to leave the cartel was largely political and aimed at frightening smaller societies, which have been operating a free-for-all in the fight for depositors' funds.

Some of these pay higher interest rates than the big societies, and tend not to comply with a requirement to give 28 days' notice of any proposed change in terms.

Although the main societies have suffered from these moves, they feel the Abbey decision was unnecessary. Mr Calum Macaskill, deputy chief manager of the Halifax, the largest society, said the interest rate agreement on deposits was "by no means rigid." It offered freedom which the Abbey National had "exploited to the full."

## Vosper and unions fail over reforms

VOSPER THORNYCROFT, the troubled warship builder which could make 1,000 workers redundant over the next months, has failed to win union agreement for sweeping changes in work practices.

The failure is a serious blow for the company's chances of building at least one of the Royal Navy's next two Type 22 frigates and preventing massive cutbacks among its 5,000 workers.

At a meeting with management, officials representing the 3,000 staff at Vosper's Woolston, Southampton, yard, where the frigate would be built, dismissed as irrelevant the company's demands for more flexible and disciplined working.

A document presented to the unions listed no fewer than 77 problems.

No official comment was forthcoming afterwards, from either management or unions, but one senior union official who declined to be named, said: "Decommissioning is to be the bane of British industry, but it isn't."

## Shorts updates missile

BY OUR BELFAST CORRESPONDENT

SHORT BROTHERS, the state-owned Belfast aerospace company, yesterday announced the development of an advanced version of its successful Blowpipe portable missile, to be known as Javelin. The British army is funding a development programme which is already underway.

The company said Javelin was designed to meet the changing needs of ground defence forces. In particular, it would be used against the type of armed helicopter which is capable of launching attacks while hovering some distance from a target.

Like Blowpipe, which scored successes against Argentine aircraft during the Falklands war last year,

As a result of the growing competition for deposits, the five largest societies have this year seen their market share drop from about 80 per cent to 38 per cent.

Mr John Barnes, a general manager at the Abbey, said yesterday that the society would not necessarily be putting up its rate to depositors. They would, more likely, alter the range of products on offer to savers.

Although Abbey's rivals are showing a united front, they privately concede that they would increase their rates if forced to do so.

The implications for this for the mortgage market are unpredictable. But if higher rates succeed in attracting more funds, mortgage queues could disappear quickly and savers might find themselves with a surplus of funds for which they had paid a high price.

The position could be even more difficult for them if next year the banks come back strongly to the market for mortgage funds. Abbey's calculation is that under these circumstances the smaller building societies would suffer the most.

Britain has 211 building societies of which 48 are out members of the Building Societies Association. Total deposits of the societies at the end of June totalled £71.8bn, while total assets amounted to £77.8bn.

## UK growth likely to slacken next year, says bank report

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

GROWTH OF national output in the UK is likely to slow down next year as the pace of shop spending slackens, the National Westminster Bank's latest Economic and Financial Outlook.

The commentary, written by Mr David Kern, the bank's chief economist, suggests that the average annual rate of growth in 1983 will be 3.2 per cent and 2 per cent, after a growth rate of 2.5 per cent this year.

Mr Kern also believes that the inflation rate will pick up next year to an annual average of just over 6 per

cent compared with 4.6 per cent expected for this year.

He believes the UK current account of the balance of payments will deteriorate, with the surplus falling from last year's revised figure of £5.4bn to about £3.0bn this year and next.

More generally, the bank expects a continuation of the world's slow economic recovery, in spite of the concern over the difficulties of debtor countries. It thinks that the recent rapid rate of growth in the US will moderate so that output in 1983 and in 1984 will be 3.4 per cent higher than in the preceding years.

The bank foresees a comparatively stable period for interest rates.

It says: "Although the upturn in US money supply growth shows signs of easing, some increase to the official discount rate and in prime rates is still possible in the short term. However, sharp rises in US rates seem unlikely, given the adverse effect such a development could have on large debtor countries."

The report suggests a moderate fluctuation of US interest rates in the range of 10 per cent to 12 per cent, during the next 12 to 18 months.

## Miners obey union over Scargill

FINANCIAL TIMES REPORTER

POLISH-BORN miners working in Nottinghamshire yesterday obeyed a union instruction not to stage a demonstration when Mr Arthur Scargill, the miners' leader, visited a colliery in the area.

They had threatened to challenge Mr Scargill for his recently published attack on the banned Polish independent trade union Solidarnosc. In a letter published in a Workers' Revolutionary Party newspaper, Mr Scargill described Solidarnosc as an "anti-socialist organisation who desire the overthrow of the socialist state."

The Nottinghamshire coalfield employs thousands of Polish-born miners who were angered by Mr Scargill's recent visit to Moscow and by his attack on Solidarity.

Mr Scargill was determined to say nothing about Solidarity yesterday during his visit to Ellerton colliery. He was asked three times if

Solidarity was discussed, and each time he avoided answering the question. "I have had a wonderful welcome from the men. We have discussed 100 different things to which miners are interested, particularly pensions and early retirement," he said.

One Polish-born miner, Mr Richard Czubski, who questioned Mr Scargill, said: "He explained the situation and said his words had been taken out of context. He now says he supports Solidarity and is against the Polish Government. I am satisfied with his explanation."

Mr Scargill will be asked to explain his position on Solidarity at a meeting of the National Union of Mineworkers' executive committee on Thursday.

Mr Scargill will hold his first formal meeting today with Mr Ian MacGregor, the new chairman of the National Coal Board. The occa-

sion is a routine meeting of the Coal Industry National Consultative Council, which brings together representatives of the board and all three mining unions.

However, the agenda includes consideration of the board's 1982-83 report of the industry's poor financial performance. There is, therefore, scope for conflict between the two men on what they see as the future direction of the industry.

Mr MacGregor is expected to declare his intention to press ahead with the programme of closures in an effort to eliminate uneconomic pits.

However, it is by no means clear that he will attempt to move faster than his predecessor, Sir Norman Siddall. Closures are already going through relatively rapidly, and none is being seriously contested by local workforces, in spite of NUM opposition.

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## FOCUS ON SOUTH AFRICAN COMMERCE AND INDUSTRY

### Trust Bank: a drive into the corporate sector

BY RICHARD ROLFE

*In a further part of the series on South African commerce and industry, Richard Rolfe, editor of Finance Week, interviews members of general management of the Trust Bank.*

**Role: Could you outline the problems and opportunities created by the changing and more competitive banking and financial services scene in South Africa?**

**Van Wyk:** The partial abolition of exchange control and thrust towards a more market-oriented economy have created a lot more volatility in the financial markets, which means both threats and opportunities. The trend towards "unbundling" of services leads to more meaningful pricing and to combining the products of different institutions, e.g. building societies, banks and insurance companies. In this environment there is also increasing scope for combining short, medium and long-term facilities in the same package, whether domestic or off-shore.

**Role:** There will be greater rewards for genuine innovation and for focusing more on service quality, particularly through electronic banking. Management efficiencies must also be improved. Payment of interest on current account balances, sharply escalating human resource costs and the cost of the capital equipment underlying the electronic banking service delivery system, all create needs and opportunities for streamlining cost structures. Another opportunity is sharing expensive infrastructures, as in the United States.

**Role:** The main problem is that the statutory framework behind, to South Africa, as in the U.S. and the U.K., legislation has not kept pace with change. There is the risk of indiscriminate price cutting: with so much focus these days on price in the financial system, we are not sure that is not going to create a problem of maintaining service standards. Also, for the market to get a clear view of the current great variety of products and combinations available, through this may be transitional.

**Role:** What are the effects of abolishing exchange control for residents and non-residents?

**Van Wyk:** Yes, the number of things interfering with risk assessment has been reduced, along with bureaucratic interference. Non-residents now have almost unlimited access to and exit from the financial markets. I think from the foreign investor's point of view that is probably the major change.

**Role:** Profitability has recovered strongly from a low point in the late 1970s. Disclosed profits in the last full year were R37m (£22m).

**Role:** Trust Bank has always been strong in HP and leasing, and holds 15% of the South African market in these sectors. Last year, it was reclassified from a general bank to a commercial bank. The bank is currently moving strongly into the corporate market with a full range of sophisticated computer-based domestic and international services.

**Role:** Trust Bank is a member of the Bankorp group which is, in turn, controlled by a major South African life insurer, Sanlam.

**Van Wyk:** Previous concessions to foreign controlled companies have opened up more avenues for South African banks to grant loans and finance to such companies in South Africa. Another consequence, though not in the legal framework, is a freer approach towards approving borrowings by South African residents outside normal import/export finance. We have recently seen examples of property investment. Also on the Exchange Control front are the recent concessions to South African banks to invest more abroad.

**Smith:** The capacity of the bank to invest abroad opens up opportunities for us to regard the foreign money market as part of our total investment area, where we can invest our short term surpluses, which we have from time to time, or finance short term deficits. The gold mines will soon be paid in dollars for their gold delivered to the South African Reserve Bank, but must convert it back to rand within a period of seven days. This already opens up some opportunities for South African banks to take short-term dollar deposits from the gold mines. If the mines, and maybe other institutions, should perhaps in future obtain the right to invest in foreign deposits for longer periods, and with the banks also being allowed to hold more in foreign currency deposits, this could even foresee a limited Johannesburg interbank market in foreign deposits.

**Van Wyk:** For foreign investors disappearance of the financial rand, which previously improved the running yield of an investment, is somewhat of a negative factor. On the positive side, however, the risk of an increase in the financial rand discount between entry and exit has also now been removed.

**Smith:** The remaining uncertainty, the commercial rand exchange rate, is much less volatile. Some investors, especially the Germans, would also say approval is now much simpler to obtain for direct investment in South Africa — the old system had too much red tape.

**Van Wyk:** Yes, the number of things interfering with risk assessment has been reduced, along with bureaucratic interference. Non-residents now have almost unlimited access to and exit from the financial markets. I think from the foreign investor's point of view that is probably the major change.

**Van Wyk:** The message to foreign investors is that the South African government is showing its very clear commitment to greater participation by the private sector in the economy. There will be, in future, more freedom and less control in general, not only in exchange control.

**Role:** What plans does Trust Bank have for expansion of its international operations?

**Van Wyk:** The great emphasis in the corporate area is on electronic banking services, particularly ensuring that there are "near" or idle balances anywhere in the system. This brings us to Trustlink, our centralized cash management system, driven by our computerized cheque account system. Since it is real time technology, it involves immediate access and statement updating. Modules can be added for the sweeping of accounts, centralized cheque accounts, creditor payment systems, and a terminal on the customer's premises. Going further, other modules

## SOCIAL DEMOCRATIC PARTY CONFERENCE

### Owen urges higher taxes on capital for social justice

BY IAN OWEN

**We must be the monopoly breakers, the cutters of regulations and bureaucracy?**

HIGHER RATES of tax must be imposed on income derived from capital assets if Britain is to become a more equitable society, showing greater compassion for the unemployed and other socially deprived groups, Dr David Owen declared in his keynote speech to the Social Democratic Party's annual assembly in Salford, Lancashire, yesterday.

Firmly setting the posture he wants the party to adopt at the next General Election, the SDP's parliamentary leader called for a combination of "toughness and tenderness" which would clearly distinguish it from its Conservative and Labour rivals.

"Capital taxes bring in barely £100 a year, equal to roughly 1p in the pound in income tax. Less than half as much is raised by capital gains tax and estate duty as a decade ago. That goes some way towards explaining why the tax system has not done more to reduce inequalities."

Dr Owen said the SDP's task was to marry its proposed basic benefit (combining the principal measured benefits) with serious tax reform in a way which grappled with the problem of low pay by creating the reality of a minimum wage.

Such a development, he conceded, would achieve more than would ever result from minimum wage legislation. He hoped it would be possible to convince both the Trades Union Congress and management bodies that it was "morally unacceptable."

Dealing with the inadequacies of the present tax system, he declared: "We must take a careful look at redressing the balance of taxation be-

cause it could deliver its pledge to cut unemployment.

He said that the lesson was that the SDP must define the social market economy more stringently. "The key question is, how do we promote competition and the efficient allocation of resources?"

The SDP leader continued: "We must be the monopoly breakers, the cutters of regulations and bureaucracy that restrict consumer choice and add to unit costs." Dr Owen dismissed the Government's claim to have a competition policy by citing its refusal to allow the London Stock Exchange to be subjected to scrutiny.

He argued that more would be achieved through the liberalisation of telecommunications services than would be gained by the Government's plan to privatise British Telecom.

He believed that in addition to liberalisation, the granting of franchises offered great potential for improving efficiency within the state sector.

Dr Owen strongly restated that need to devise a permanent incomes policy and the case for establishing arbitration procedures and non-inflationary comparability mechanisms in public service monopolies.

On defence, he maintained that Prime Minister Margaret Thatcher's refusal to accede to demands that U.S. cruise missiles deployed in Britain should be subject to a "dual key" control system did not justify an automatic decision to reject them altogether.

Dr Owen was given a standing ovation.

**Mr. Herbert Schultz, London representative**

**Mr. Rob Wood, GM, project finance**

are for business information services, foreign exchange rate quotations, money market quotations, key market statistics or economic bulletins. This is the major thrust of our development. On the international side, we are already on SWIFT, as are all South African banks and a full profile of services can be expanded to our corporate customers.

**Role:** What are Trust Bank's particular achievements in project finance?

**Wood:** We have acted as syndicate leader for a number of major projects. The first major breakthrough here was the total financing package which we developed for the Atlantis Diesel Engine Plant. This had a lot of innovative features which resulted in a meaningfully lower cost to Atlantis. Last year we were awarded the largest portion of the lease financing for Sappi's R800m pulp and paper project at Ngondwana in the Eastern Transvaal, the largest private sector development in South Africa. We were able to achieve the major portion of the lease funding for this project in competition with a consortium of the other four major banks in South Africa.

We participate in syndicated loans for Escom and have arranged direct lending in support of vendors of particular items of equipment. This financing totals well in excess of R400m. We also undertake joint ventures, and one recent agreement is with the KwaZulu Development Corporation where we have set up a joint venture intended to finance the small Zulu business.

When investment allowances are withdrawn in June 1985, there will instead be a higher initial allowance, which is considerably less advantageous than the present structure of allowances, but we don't see that this is going to slow down significantly the pace of industrial development in South Africa or the level of project finance. Enormous amounts have to be invested in capital intensive projects in relation to the size of the companies which tackle them. We expect new projects to continue, but there will have to be a lot more innovation in the mechanisms used in financing the

**The Trust Bank of Africa Limited**

Head Office: Trust Bank Centre, 56 Elsford Street

PO Box 7694, Johannesburg 2000

Tel Johannesburg 331-4411. Telex 8-9399

London Office: 16 St Helens Place, London EC3A 6BY

Tel (01) 588-2469. Telex 884504

**THE TRUST BANK**



**Could this be YOU in a few years' time?  
— remembering the joint you used to buy.**

The times when they used to entertain family and friends — now just a fading memory of happier days.

These are the people who have served their country well in peace and war, and to whom retirement has

## APPOINTMENTS

## Chloride Group finance director

Mr David Hankinson has been appointed director, finance and central services of CHLORIDE GROUP, from October 10 and will be appointed to the board on October 13. He joins Chloride from Wilkinson Sword Group where he is currently finance director. Prior to that he was group finance director of Gartree Corp. He succeeds Mr Mike Sharman who will be leaving the group on September 30 to pursue his own business interests.

\* Sir David Nicolson has been elected president of the ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE in succession to Sir Monty Flinstone. Sir David is chairman of BTR and of Rothmans International.

Mr Graeme S. Pentecost, at present the BANK OF NEW ZEALAND's senior vice-president and manager in New York, has been appointed regional manager, UK and Europe of the Bank in London from October 10. Mr Gerald Scott the Bank's present regional manager is to retire on that date.

SWISS BANK CORP. INTERNATIONAL has made the following senior management appointments: Mr A. M. B. Large, managing director and chief executive, becomes chief executive and deputy chairman; Dr W. B. Schlech, managing director and joint chief executive, becomes deputy chairman; and Mr T. M. van der Bergel and Mr J. A. de Gler, executive directors, become the managing directors.

Mr Ben Strickland, a director of J. Henry Schroder Wag & Co., has been appointed a director of SCHRODERS from October



Mr David Hankinson, finance and central services director, Chloride Group

pension and charity funds into a diversified portfolio of quoted and unquoted small companies situated in the Yorkshire and Humberside region. They are a solicitor and member of the Hull Junior Chamber of Commerce, Mr George E. Wright, and Mr David D. Osborne, managing director of the Beverley firm, Humberside Properties.

\* Mr Willy Watson, formerly commercial director of Transmition's energy division, has been appointed marketing director of INFORMATION TRANSMISSION.

\* Mr Barry Smith, managing director of BOWMAKERS (PLANT), Cannock, has stepped down as MD but will continue on the board until his retirement on September 30. With the agreement of Flinching Tractor and Equipment Co., Vancouver, Bowmaker's new owners, Mr Bert Morton becomes managing director of the company. Mr Morton joined Bowmaker in 1985. In November 1979 he was appointed assistant managing director with responsibility for product support services.

\* Mr Peter B. Fielding, who until recently was managing director of E&AB UK, has joined the board of ENGINEERING AND WELDING SERVICES as marketing and development director.

\* Mr Robin Eyles has been appointed special projects director to the chairman of NATIONAL THOMSON ORGANISATION. Managing director of Thomson Directories for five years, he continues as a director of Thomson Information Services and will additionally

join the boards of several ITO subsidiary and associated companies. His project activities will cover the UK, Europe and the U.S.

\* Mr John E. Townend has been co-opted to the board of the EAST SURREY BUILDING SOCIETY to fill the vacancy caused by the death of Mr J. H. Alleyne. Mr Townend, MP for Bridlington, is vice-chairman of the Conservative backbench finance committee, founder chairman of the Merchant Viners, and is an underwriter at Lloyd's.

\* Mr John Coghlan, who retired on July 31 as deputy director general of the National Sports Council, has been appointed as a sports development consultant to the MODULE 2 GROUP OF COMPANIES, Bridgend.

\* Mr Iltiyd Lewis has been appointed executive director of the TEA COUNCIL. He will be responsible for the general pro-

\* Mr Donald M. Muirhead will be appointed president of the CONSUMER CREDIT ASSOCIATION of the United Kingdom at its fifth annual conference and general meeting on September 21. He is chairman of Donald Muirhead (Finance), Plymouth.

\* Mr A. E. McCracken, managing director of NICOL & ANDREW (LONDON), is to retire on September 30, though he will remain on the Board as a consultant. From October 1, Mr V. P. Davies becomes managing director. He joined Saville Brothers in 1968 and became director in 1972. He joined Nicol and Andrew as financial director and in April was appointed managing director designate.

\* PALMER & HARVEY has appointed Mr John Chedzey, man-

aging director since 1976, as deputy chairman and managing director. Mr Philip Hudson becomes joint deputy managing director. He was previously marketing operations director.

\* Sir Peter Carey, formerly permanent secretary at the Department of Industry, will be joining the board of BPB INDUSTRIES as a non-executive director from September 21.

\* ROUTLEDGE & KEGAN PAUL has appointed Mr Philip Sturrock as group managing director from October 31. He is currently managing director of Pitman Books.

\* CURRY'S GROUP has appointed Mr Jeff Benson as a non-executive director. Among other appointments, he is a deputy chairman of National Westminster Bank, having retired as group chief executive of NatWest at the end of last year.

\* Mr D. Fleahy, Mr K. D. Hardwick, Mr T. A. Notley and Mr W. O'Farrell have been appointed to the board of WOODHOUSE, DRAKE & CAREY (HOLDINGS). Mr J. B. R. Morris has been appointed vice-chairman.

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\* HIGH-POINT SERVICES GROUP has appointed Dr Harold K. Goldstein as an executive director. He was a merchant banker for 13 years with Lehman Brothers Kuhn Loeb, serving in New York, Paris and, as director, in London.

## CONTRACTS

## IDC build £6m warehouse

1st. Stratford upon Avon, has been awarded a £6m contract for the design and construction of Sony's national distribution centre at the Royal Berkshire Centre at Thatcham near Newbury. This new facility will become the central distribution operation for the bulk banding of all consumer product. The 13 month contract, when completed, will provide over 20,000 sq m of floor space.

A UK division of EMBHART CORPORATION, Connecticut, has received a \$2.3m (£1.5m) order for tyre-making equipment for a Canton, China, tyre factory. The order was placed with Embhart's Farrel Bridge unit in Ruchill, Lancashire. It is the Dunlop Tyre Company which has been retained by China's Guangzhou Rubber Bureau to supply technology, plant and equipment to the modernised tyre plant. The machinery is expected to be installed in the spring of 1984.

The Midstone-based combustion division of PEABODY HOLMES has received an order worth \$200,000 (£268,000) to supply burners and associated combustion equipment to the National Refinery, Pakistan. The contract was negotiated and placed on behalf of the National Refinery by Industrial Export Import of Rumania.

H. H. ROBERTSON (UK) has won a contract worth £214,000 to supply Formawall cladding and a glazing system to the Cleveland shopping centre in Middlesbrough. The materials will be used on an extension to the existing building. The Formawall panels will be fixed on to one of the main entrances, together with the glazing system. Some 1,500 square metres of Formawall have been specified by architects Bradshaw, Rowse and Harker of Liverpool, for their clients the Legal and General Assurance Society. The company will also supply and fix the secondary steelwork to support the Formawall cladding.

HI-DRAW MACHINERY of Romsey, Hants, (in association with the Vaughn Division of Wearn United of Pittsburgh, U.S.), have been awarded a multi-million dollar contract from the Goodyear Tire and Rubber Co., Akron, Ohio, for the supply of drawing machinery. All the machinery will be manufactured in the UK including electrical equipment comprising dc motors and thyristor converters with associated control gear. The machinery forms part of a green field site in North Carolina for the production of fine steel wire used in the manufacture of steel belted radial tyres.

HARRIS CORPORATION has been awarded a contract from Waterman Communications Inc. (WCI), Inc., of Jeffersonville, Indiana, U.S., for the design, manufacture, construction and maintenance of a new marine telephone system covering more than 4,000 miles of inland waterways. Total value of the turnkey contract is estimated at \$12m. For the first stage, 350 telecommunications nodes will be available to commercial vessels on the Mississippi, Ohio and Illinois rivers and the Gulf Intracoastal Waterway, providing them with automatic, direct-dial telephone service.

A new method of drinks packaging, developed by JOHN WADDINGTON, Laeds, will be used in the U.S. as a result of an agreement between Waddingtons and the giant U.S. brewing and packaging firm, Coors. The Adolph Coors Company of

Colorado will manufacture under licence the Waddington's "neckline" multi-packaging system for bottles, launched earlier this year. Neckline is a form of packaging which holds two, three, four or six bottles together in a neat multipack at the neck of the bottle. It was developed to capitalise on the growing retail market for multi-packs in supermarkets and off-licences. Its advantage over existing multi-pack cartons is that it holds the neck of the bottle, so displaying the product to its fullest benefit.

The Austin Rover Group has renewed contracts with MORSE FLEXION of Letchworth for the supply of timing-chain and tenders for installation. Meastro 1200 and Metro cars. The contracts are worth £200,000 in a full year.

\* WESTCOSE SEMICONDUCTORS has won a contract worth £1m for power transistors to be used in variable frequency, variable voltage, onboard inverters in rail cars designed for a rapid transit suburban rail system. The project is said to be the world's largest single application of very high-power transistors.

The International Maritime Satellite Organisation (Inmarsat) has awarded a U.S.\$215,000 contract aimed at studying certain technical aspects of providing communications by way of the system. Inmarsat, the London-based organisation of 39 member countries, currently provides satellite communications to the worldwide shipping and offshore industries. The contract was awarded to DECCA ELECTRONICS in conjunction with MILLER COMMUNICATIONS SYSTEMS of Canada. The study encompasses the following topics: Propagation effects on aeronautical satellite links; antenna systems; modulation and coding systems; and overall aircraft earth station (avionics) integration.

The Maritime Satellite Organisation has already said that its new satellite system would include a capability for aeronautical satellite communications for use by the aviation community if it so chose. The new satellites, which will replace the existing satellites, are set to be launched starting in 1988. A request for proposals from satellite suppliers was made public in early August. Deadline for receipt of tenders is April 1984.

\* RAJ/WICKERS has won a contract worth around £700,000 to supply adaptor valves (proxies) to the Ministry of Defence over the next two years. The adaptor valve is used in connection with a high pressure gas cryogenic system and provides the means of rapid connection and disconnection for storage vessels to thermal imaging cameras used by the British Army. The valves will be used on night vision equipment for projects such as the Milan anti-tank system and the Chieftain and Challenger tank systems.

\* IMI MARSTAIR, part of the Birmingham based IMI metals group, has won a contract to supply all room air conditioning equipment to the Department of the Environment over the next three years, mainly for overseas posts and embassies. The contract will be worth at least £750,000 over the period.

\* HALIFAX TOOL COMPANY, a member of the Marshall's Halifax Group, has won an order, worth about £150,000, to supply a Falco Varitork 556 water well drilling machine to the Sri Lanka National Water Supply and Drainage Board.

## The bank that's helping Italy's liquid assets grow



Vineyards overlooking the Cantina Sociale di Santa Maria della Versa. The Cantina is a Cariplo customer.

Italy may not seem likely to be a major exporter of agricultural products. But take wine into account, and the picture changes.

In 1982 Italy exported over 2000 million litres of it, much made by producers like the Cantina Sociale di Santa Maria della Versa.

Like our customer, the Cantina, Cariplo is also expanding its activities abroad.

Last year we opened a full service branch in London. A second will follow shortly in New York. In Brussels, Frankfurt, Hong Kong and Paris we have representative offices,

and through our correspondent network we are represented in all the world's major financial centres.

Our experience over many years with customers like the Cantina has proved invaluable in building up the expertise and resources we need to operate effectively in international markets.

Now we are well placed to help your international business grow too.

London branch: 6 Bishopsgate, London EC2N 4AE. Telephone: 01-283 3166. Telex: 887641. Head Office: Via Monte di Pietà 8, 20121 Milan.

**GARIPLO**

CASSA DI RISPARMIO DELLE PROVINCIE LOMBARDE

Encouraging enterprise internationally

## TECHNOLOGY

EDITED BY ALAN CANE

## Camera innovations

## Video &amp; Film

IN THE PAST 20 years, when image recording processes have undergone a revolution, there has been such an obsession with the technology of film and video that the uses of the media have tended to be taken for granted.

It has taken Kodak, a company whose business is under serious attack from video, to demonstrate just how innovative cameras can be — not least of all when employing old-fashioned photo-sensitive recording materials.

For over 12 years now, Kodak in UK has been running an annual photographic bursary scheme — making grants to an extraordinary variety of applicants who seek finance for unusual applications of photography. In the 1983 bursaries recently announced, a total of £10,000 was awarded in various amounts to seven successful applicants (from a field of 180).

## Novel

Some of the ideas are not only novel, but socially extremely important. Thus the project from Mr Ronald Graham, a reader in photographic sciences but in his spare-time, a microlite pilot. Mr Graham has won a Kodak bursary to adapt aerial photographic survey techniques so that they can be used in a tiny 250 cc microlite aircraft.

Conventional aerial surveying uses large and heavy cameras of 28 x 23 cm format in twin-engined, two crew aircraft. Mr Graham has now adapted the microlite to carry out acceptable aerial survey work with a 70 mm Hasselblad camera.

The social importance of this may at first seem insignificant. But many developing countries, for whom aerial survey work is crucial in exploiting natural resources, cannot easily afford conventional aircraft and highly trained crews. And even when they can, the areas where surveying is most needed will often lack airstrips and take-off space; but a microlite can, of course, minimise all of these problems.

Even more innovative is a system of medical illustration devised by a 34-year-old British subject, born in Thailand and now working at Bury St Edmunds' hospital, Mr Sataporn Sankul. His has hit on an extremely simple yet realistic way of illustrating human organs in medi-

BY JOHN CHITTOCK

cal education. The internal parts of the body — or plastic reproductions of the organs are photographed as 35 mm colour transparencies which are then projected on to a nude model in the correct position and re-photographed. The effect is quite stunning, three-dimensional, and potentially quite invaluable in the specialised field of medical illustration.

Mr Sankul's submitted examples were executed at home — using his wife as a model — but he now has £2,000 to finance the work more seriously.

Invariably such applications stem from the enthusiasm of a lone photographer, pursuing an idea or even an ideal — such as Ms Frank Raffles, a freelance

“Some of the ideas are not only novel but socially extremely important”

from Edinburgh. Working with severely handicapped children, Ms Raffles realised that photography might provide for them a unique vehicle for self-expression — unavailable through painting, for example, because of the severity of their incapacity.

In making her submission for a grant, Ms Raffles prepared photographs of badly handicapped children, using instant cameras. The picture series told their own story. Children who could barely manage to hold a camera and press the button suddenly — for the first time in their lives — were able to see something they had created for themselves; within seconds, undreamed of elation is realised as snapshots of their friends develop before their eyes.

Ms Raffles is now endeavouring to take the children farther down the road of photography, stretching their physical and

mental abilities into using simple 35 mm cameras.

Applied photography has been around at least since 1877 when Edward Maybridge used a photographic picture series (operated by trip wires) to settle a bet about the way a horse gallops. But video is coming along fast in a variety of applied situations — ranging from high speed movement analysis (ironically Kodak themselves have developed such a camera and use it in factory processes) to single frame by frame monitoring for security purposes.

## Replacement

Such developments are adapted from photographic techniques and replace photographic emulsions. High speed movement analysis is difficult on film because the micro-second duration of the event is difficult to predict when “pressing the button”; on video, the recording can run continuously in a cycle of recording and erasing until the event happens. With time lapse security monitoring, 24 hours a day, film is expensive and not reusable like videotape.

Nonetheless, it may take video 100 years to challenge the quality of work tackled by two other nursery winners. Quite independently, each are using their grant to bring to public view important sets of historical

memorabilia.

Mr Michael Gray is making

facsimile calotypes from some

of the 1,000-odd Fox Talbot

negatives at Lacock Abbey, of

which some, surprisingly, have

never been printed. And Ms

Irene Rhodes, a photographer

at the National Gallery, has dis-

covered a large collection of t

plate negatives in Hastings

which she is now printing with

the aid of her nursery. These

pictures were taken by a Mr

George Woods, a 19th century

stockbroker who photographed

Hastings Harbour and beach

with a style and atmosphere

evocative of the famous Frank

Sutcliffe, who immortalised

Whitby.

Video cannot emulate such

beauty. And in all probability,

the videotapes of today will not

be reproducible 100 years hence

— because compatible

technical facilities will not

exist; if, indeed, the magnetic

recordings would last that long

anyway.

MATERIALS  
Crucible analysis costs cut

A METALLIC sandwich material developed by Johnson Matthey Metals for the analysis of crucible market will, it is claimed, reduce costs by between 30 and 50 per cent.

A recurring and considerable cost for laboratory and industrial analysis is the platinum crucible in which the material for analysis is contained.

Platinum is used because it is virtually inert and does not contaminate the analysed material. Furthermore, in a form developed by JMM some time ago called zirconia grain stabilised (ZGS), the metal offers high mechanical stability and high temperature strength.

However, the metal is expensive and since it is only the outside layers that are in contact with the crucible contents, JMM decided to develop a sandwich composition with ZGS platinum outer layers each 25 per cent of the total thickness.

The remaining 50 per cent consists of the generally similar but much cheaper metal, palladium. The sandwich material is called TRIM.

The outer layers of ZGS platinum retain their inherent advantages of strength at high temperatures, resistance to growth and creep of the metal, and resistance to progressive contamination.

The core material, palladium, is a member of the platinum group of metals and has metallurgical characteristics completely compatible with platinum.

## Stress

Stress and rupture values of TRIM are said to be excellent and it has been used successfully at temperatures up to 1300°C.

The company says that in terms of scrap recovery, the metal recovered from two platinum crucibles when sent back to JMM's precious metals recovery department will approximately cover the cost of three replacement TRIM crucibles of an equivalent size.

More on 01-902 8864.

GEOFFREY CHARLISH

## EIGHT NATION METEOROLOGICAL SATELLITE PLAN

## Jumbo weather watchers

BY ELAINE WILLIAMS

BEFORE THE end of the decade many of the world's wide-bodied jets may carry computers which gather weather data. Today the World Meteorological Organisation in Geneva is to sign a contract with a British company to turn prototype equipment into a commercial product.

Eight countries are participating in the project which is hoped will improve weather forecasts around the world and save fuel by planning routes to avoid the full effects of bad weather.

GEC McMichael, part of the GEC group, will be the contractor, worth about U.S.\$500,000, against competition from three U.S. companies including the giant Bendix corporation and Teledyne.

The Aircraft to Satellite Data Relay (ASDAR) project will automatically collect data on weather conditions in the upper atmosphere and transmit information to the meteorological satellites circling the earth. Plans are to use the systems of Boeing 747s and DC10 initially.

In essence, the ASDAR system consists of a small on-board computer which takes information from the aircraft's own inertial navigation guidance system. This has data on wind speed in the upper atmosphere, temperature, altitude and the location of the aeroplane as the weather observations are made.

This information is relayed automatically at hourly intervals to the weather stations via one of four satellites. Two are U.S. sub, at Meteosat, one is Japanese and the other is European. The ASDAR processor collects information every seven and a half minutes and transmits the information in batches of eight. Happily, it is possible to transmit messages to all satellites using the same frequency.

Approximately £750,000 has been raised in funds from the eight countries participating in the ASDAR project. The U.S. and Saudi Arabia are the main contributors to the project. Others funding are Canada, Australia, New Zealand, the Netherlands and West Germany.

Within two years the ASDAR system will be turned into a commercial system and by 1986 about 50 units should be operating on airlines' jets. Mr Jim Graytys at the World Meteorological Organisation in Geneva commented that the aim would be to have more than 200 wide-bodied jets linked into the system. British Airways carried one of the experimental systems and British Caledonian, TWA and United Airlines are all willing to participate in the next phase.

The ASDAR project started officially in 1981 after initial work which started more than a decade ago. The World Meteorological Office used NASA technology for the prototype system and 18 units were built to prove the techniques.

Mr Graytys said that at this point eight international airlines had

reluctant to take on such responsibilities without a suitable reporting network. Though this application has been discussed for three or four years, and despite the U.S. Air Force's enthusiasm, no progress has been made and shows no signs of doing so.

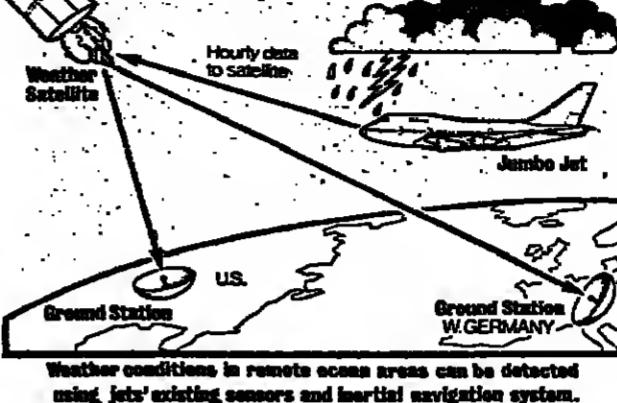
The main aim though is to improve weather reporting.

Pilots already give verbal reports and are an important input to the world meteorological data base.

However, such reports are only available at standard longitudes and are subject to long delay up to 12 hours because of manual processing.

When operational the new system takes information in two ways: every seven and a half minutes during high altitude cruising but at a much smaller interval during take-off and landing, and for plotting optimum long distance routes to reduce air

## HOW COMMERCIAL AIRCRAFT WILL BE USED TO GATHER WEATHER DATA



craft fuel consumption.

Another possible use of the system could be for emergencies to help locate off-course or missing planes such as the recent Korean Air Lines disaster. Because the ASDAR system automatically transmits every hour it would be possible to give a more accurate idea of the plane's position before disappearance.

Mr Graytys, however, said that there are certain barriers to the system's use in distress.

There is no infrastructure to alert authorities about possible disasters and weather satellite ground station operators are reluctant to take on such responsibilities without a suitable reporting network. Though this application has been discussed for three or four years, and despite the U.S. Air Force's enthusiasm, no progress has been made and shows no signs of doing so.

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## ROBOTS for WELDING &amp; HANDLING



## Vision

## Market growth

THE MARKET for intelligent industrial vision systems will grow tenfold in the 1982-87 period to about \$500m (constant dollars), according to a report from Frost and Sullivan, the market research company.

The report covers only intelligent systems and so excludes straightforward imaging systems, optical digitisers, scanners and character readers — themselves a considerable market.

Robotic applications will account for much of the growth, says F&S, used in this area jumping to 26 per cent from 10 per cent last year. Meanwhile, inspection equipment market users will drop from 60 to 38 per cent. The share of the third major application area, part identification, will rise slightly from 30 to 36 per cent.

U.S. market leaders in 1982 were General Electric of the U.S.A., Vixen Engineering, Diffracto and Antennix. More on 01-486 8377.

## Machines

## Faster tool changes

MACHINE TOOLS makers are showing new vigour in attacking the chief limitation to productivity in their products — tool changing and material handling time.

According to published research this can account for up to 60 per cent of total available production time.

Warner and Swasey's new high speed computer controlled punch press, the Quantum 2000, tackles the problem with twin punching heads, automatic offload of completed parts and offline tool changing. More on 04215 60266.

**It's a window to the west**

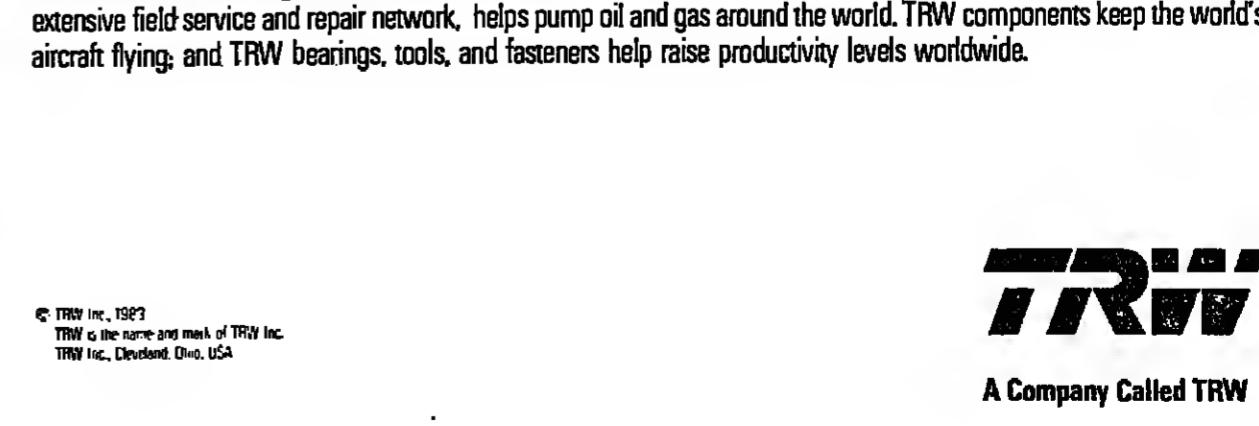
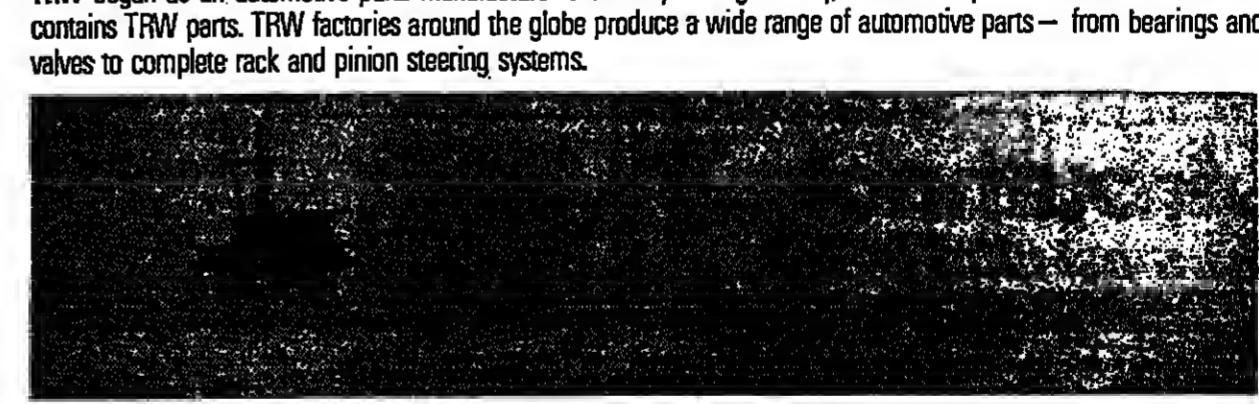
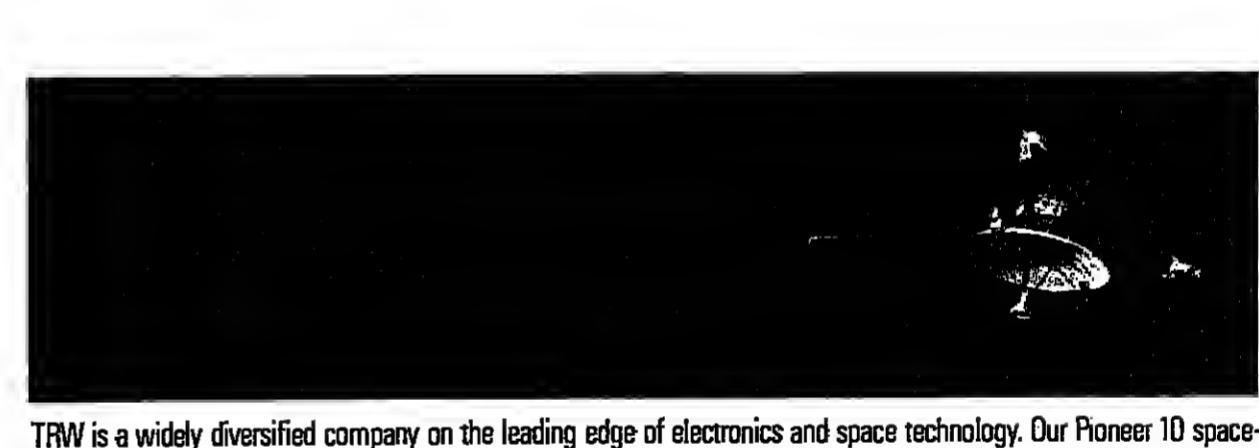
First Interstate Bank is a window to the west in trade finance, wide in money transfer systems, and unsurpassed in service capability. And it's open for you.

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## THE ARTS

Art/William Packer

## Autumn term in London

An exhibition of the work of John Carter filled the galleries of the Warwick Art Trust in midsummer. As such, it has turned out to be the last of the run of distinguished one-man shows, ornaments to the London programme, that Bryan Robertson has put on there in his role as consultant director. In the event he could hardly have conceived more appropriate a setting, for here he was presenting an artist in mid-career in a show that was beautiful, stimulating, judiciously retrospective and even mildly controversial—certainly it reduced the panel of the day on the BBC's Critics' Forum, by three to one, to patronising and at moments hostile incomprehension.

The enduring power of modern art, most especially of abstract art, to shock, remains as astonishing to our Society as the arrogance of the generality of the educated, in the face of whatever is beyond the scope of a literary interpretation of their own immediate competence, to judge. To take a liberty with Descartes: I think, therefore of course I understand. Here we are, in the age of Match of the Day, and Inter-city, and the *Guardian's* Woman's Page; and it is as though Matisse were a Wild Beast yet, and Mondrian and Brancusi, with their delicate intervals and exquisitely refined simplicities, a danger to

it. It is all as odd as it is interesting and familiar, and I only bring up the subject now because Carter happens to be enjoying another London outing this time at his dealer's gallery in Cork Street (Nicola Jacobs—until October 1). His work places him firmly and obviously in the constructivist tradition, which was never itself so severe, arid and difficult as too many still suppose: for though some of our latterday minimalists may occasionally have taken themselves a shade too seriously there's never been anything in that tradition that necessarily should visiting a certain visual wit, high spirits or intellectual esprit; nor does economy of means or statement shut out the possibility of physical beauty on the one hand and richness and complexity of association and expression on the other.

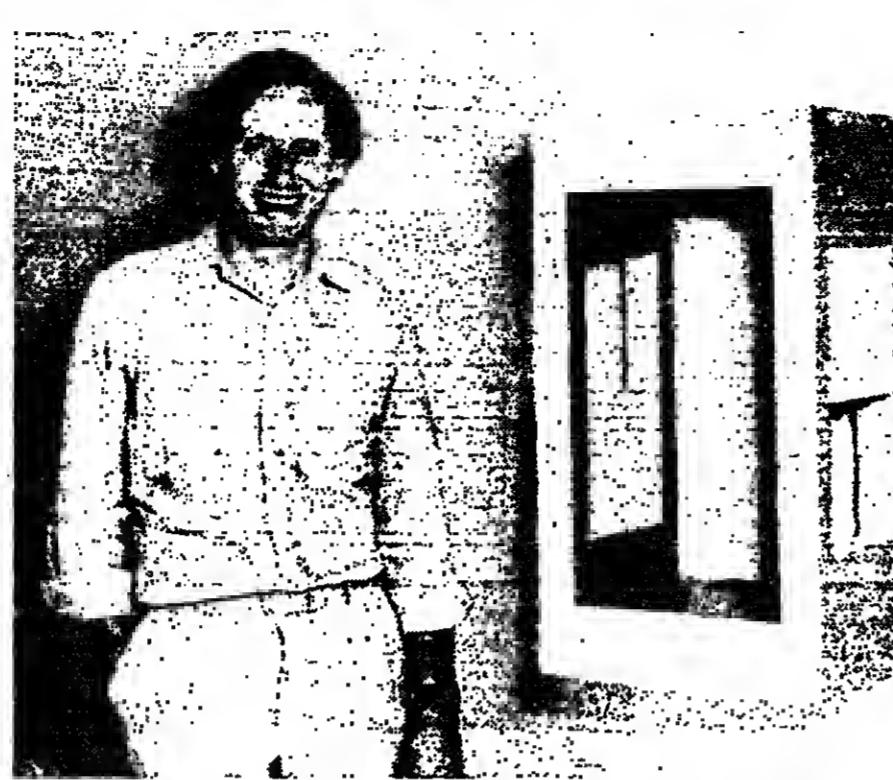
Artists besides the Debateable Land between painting and sculpture, for though his painted reliefs are manifest ob-

jects, displacing real space and beautifully made, they deal quite as much with the essential ambiguity that must intrigue all spectators: what is real and what is not, and how something that shares the space this side of the wall with the viewer may at once suggest another space, quite else and contradictory. He conducts this visual debate with an admirable economy, punctilious craftsmanship and an elegant allusion to wit. If latterly the refinement has been ever more extreme and uncompromising (this show is only his third recent work), the wit has always saved the work from any reduction to the impersonal or inaccessible. In dealing with the conceptual realities of space, geometry and proportion it might well be that the work should consist only in the simple comparison of volume or area, or in the manner of the containment and thus the demonstration of an empty space; and yet the more fugitive the image, the more highly charged it is in the imagination.

The last we see of the Cheshire Cat is his smile: but Carter is not so ruthless and inexorable a reductionist, and the clear sign that he is moving back towards something more physically complex and conceptually ambiguous. All his pieces are possessed of a certain curious metaphysical quality quite apart from their immediate concerns, the framed projecting rectangle as it were a physical detail in a die Chirico tower: but how much more are the newest boxes, the double cubes that lead us in to their questionable and strange interiors. They are peculiar and beautiful things, each a singular realisation of an idea, and a visible, if equivocal fact. So exact and judicious in themselves they sharpen and refine our own physical perceptions of all those other, similar spaces we too occupy and fill.

Downstairs in the smaller gallery, meanwhile, is an interim show of works on paper by Anthony Whishaw, quietly suggestive abstractions upon landscapes and still life: these last unexpectedly resolute of

Braqe—though those too are presumably related to actual or forthcoming larger paintings no more than substantial enough as they are. This is not the kind of show, however, to discuss at length, but rather quite literally to notice as we look forward to a fuller exposi-



John Carter with "Painted Structure: Vertical Squares"

ton Whishaw once described the visual sensation, frisson if you like, that preoccupies him and that he tries to fix in his work as being rather like walking through a wood, with twigs and leaves brushing and flicking past the face, and flies and insects dancing in the flickering light at the very edge of one's vision.

We should not take, of course, as a firm and comprehensive commitment that he will explain all the work; but to take up the hint of landscape, particularly the enclosed and closer spaces or a wood that are themselves so like the spaces and relations within the still life and the studio interior is fair enough. Whishaw is the softest and least assertive of our own physical perceptions of all those other, similar spaces we too occupy and fill.

But his own work in recent years had seemed somehow to have slowed down in its development, trapped by its declared formulae, grown predictable and oddly unadventurous. The particular preoccupation with the intense experience of colour had frozen the imagery, deadened the surface and stiffed the space: which was not the point at all.

A little up the road, at the Waddington Galleries (also until October 1) is a painter somewhat less retiring. Patrick

Heron has never been anything less than wholehearted in his commitment to abstraction, and his particular involvement with colour has always ensured a high degree of visibility for his work. To say as much is not intended as a gibe at all, for one of Heron's most engaging characteristics has been just that wholeheartedness, a preparedness to commit himself through his work in full public view. He is an important figure, by both practical example and published writing, one of the first apologists for the New York School and later one of its earliest and most prescient critics, always ready most vigorously to champion the artist's cause.

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## Ballet/David Vaughan

## The Kirov in Leningrad

To see a performance at the Kirov, formerly Maryinsky, Theatre, with its elegant blue, gold, and silver interior, is a deeply moving experience, for this is the stage where Pavlova, Karsavina and Nijinsky, Fokin and Balanchine all made their debuts, and where *The Sleeping Beauty* had its premiere.

It must be admitted that what one sees on that stage today does not always measure up to the glories of the past. The greatest star of the Kirov Ballet, to judge by what I saw during the 200th anniversary season, is the corps de ballet—*as the Willis in Giselle and in the "white acts" of Swan Lake*, especially *Act IV*, which preserves the Ivanov choreography, with six black cygnets weaving among the lines of the ornate musical tempi. Some sections, not necessarily tragic ones, are taken excessively fast, the White Cat and Puss in Boots number sounded like a 78 record played at 33 RPM,

hurried.

The Kirov *Sleeping Beauty* is now given in a dismally corrupt choreographic text, particularly the Prélude, Marius Petipa's masterpiece: the fairies have no cavaliers, the Lilac Fairy enters through a trapdoor to the wrong music, and a vision of the Princess Aurora, in the person of a little girl, pops up through another trapdoor to illustrate Carabosse's curse. It was reassuring to learn that Oleg Vinogradov, the company's director, intends to move to a production in which the original choreography would be restored as far as possible—even including some of the mime.

One of the most troublous things to confront both is the music's musical tempi. Some sections, not necessarily tragic ones, are taken excessively fast, the White Cat and Puss in Boots number sounded like a 78 record played at 33 RPM,

and others, like the Mazurka in *Swan Lake*, so fast that the dancers can hardly keep up. In spite of such musical vagaries, the Kirov performance of *Chopiniana (Les Sylphides)* was one of exquisitely refined fairies have no cavaliers, the Lilac Fairy enters through a trapdoor to the wrong music, and a vision of the Princess Aurora, in the person of a little girl, pops up through another trapdoor to illustrate Carabosse's curse. It was reassuring to learn that Oleg Vinogradov, the company's director, intends to move to a production in which the original choreography would be restored as far as possible—even including some of the mime.

Chopiniana formed part of a triple bill with divertissements from *Petipa* and the pas de six and tantemants from *Nopoli*. The *Petipa* variations were choreographed by Gennadi Cherepanova and Lubov Kunitskaya, and Alla Sizova with all the delicacy and musicality that one remembers from her Aurora more than twenty years ago—she can even make

Balanchine to the repertory. It's

high time.



Alla Sizova

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## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY  
Telegrams: Finantime, London PS4. Telex: 8954871

Telephone: 01-248 8000

Tuesday September 13 1983

## Owen's new blueprint

DR DAVID OWEN's first major speech as leader of the Social Democratic Party was received with less than total rapture by the party conference in Salford yesterday — at least judging by the volume of applause. Indeed, the silence that greeted some of its key passages suggested that a large part of the conference did not fully understand what he was saying. It was a major political speech, nonetheless.

The section that mattered most was about economic and social policy. Dr Owen paid tribute in passing to Mrs Thatcher: "She is," he said, "a worthy opponent," though there were also bars, like an attack on her alleged inability to govern herself, in the Prime Minister of the whole nation. But it was the gloss that he put on her economic policies that counts.

### Competition

The SDP leader became one of the first prominent British politicians to endorse a "social market economy". To many that may seem a technical term derived from Germany. What it means in English is the market economy with a safety net, or to put it in more political terms, perhaps, Thatcherism with a human face. Its adoption in West Germany was partly responsible for that country's post-war recovery. When the Social Democrats broke with Marxism in the late 1950s and embraced the social market economy in its stead, they too were on their way back to office — facts of which Dr Owen is obviously not unaware.

Mrs Thatcher grasped the market part of the philosophy early on, and Dr Owen has recently caught up. Yet in two important respects he has now gone further than the current Tory orthodoxy. One is that he has accepted the essential contribution of competition to the social market models. The other is that he has remembered the need for the safety net.

As Dr Owen said yesterday, the Tories have not been exactly distinguished by their competition policy: a privatised monopoly is still a monopoly. Equally, in their search for greater economic efficiency, the Tories are, at least, open to the

charge of overlooking the needs of the disadvantaged. The social market economy was never designed to do that. Indeed one of its main purposes was to help those adversely affected by a period of economic transition.

Dr Owen's way of putting it was that it ought to be possible to link together in the public mind "the politics of prosperity and the politics of poverty" so that there is no obvious incompatibility between striving for efficiency and greater equity.

This is where RGC and other companies across the industry, see their opportunity. The development of new small fields will require platforms, living accommodation and pipelines. It's new fabrication hall will allow work to go ahead on three platform "modules" — self-contained processing or accommodation facilities — at once and each of them could be worth up to £20m.

Companies like RGC are gambling on the fact that the revival is indeed long overdue. Fields such as BP's massive £1.3bn Magnus Project, which Mrs Thatcher is to inaugurate tomorrow, are the result of development decisions taken well back in the 1970s. Now the signs are there of a new plan being prepared.

The dearth of significant new orders was underlined by the most recent statistics which showed that last year the value of orders placed for goods and services by UK oil and gas developers was at £2.26bn, the lowest since 1978. This year's value is not likely to be much higher.

But the climate is changing. Mr Buchanan-Smith told the Offshore Europe Exhibition in Aberdeen last week that among the plans under discussion with the Government, were Marathon's North Brax oil field, Sun Oil's Balmoral oil field, Halliburton Brothers' Doublet oil field, Texaco's South Seal oil field, BP's and Single Well Oil Production System — in essence a combined production, storage and transportation vessel.

The modest nature of some of these particular projects can be gauged from the fact that Mr Buchanan-Smith estimated that the value of work generated would be little more than £2bn. By contrast, the exploitation of Shell/Esso's big Brent Field in the mid-1970s cost more than twice that amount.

The Minister did not list all of the 30 new production schemes and pipelines that are likely to emerge in the next year or two, but it seems doubtful that any individual project will cost much more than £1bn. The oil and gas reserves in UK fields awaiting development do not justify greater investment.

This is not the case on the other side of the median line in the North Sea where a slower, more cautious develop-

ment programme on the part of the Norwegian offshore industry has left several giant fields unexploited. Just four projects — the Oseberg, Sleipner, Troll (phase one) and Tommeliten oil and gas fields — could generate orders worth nearly £15bn (£19.4bn) over the next decade, according to stockbrokers Wood Mackenzie.

But these figures are misleading, partly because in Britain, too, there is a great deal of subcontracting and partly because a number of major companies classified as British are no more than local subsidiaries of overseas — predominantly American — engineering groups.

Mr D'Acosta eschews suggestions of protectionism in favour of British industry. "The last thing we want to do is to set up a barrier so that UK companies can be featherbedded," he said. "We should not be tempted to erect protective barriers behind which inadequate performances can thrive. That would not be in the interest of UK industry."

Even so, UK industry is being

helped. Under North Sea licensing terms offshore operators have undertaken to give UK companies a "full and fair opportunity" to compete for orders. In other words operators must have a good reason for importing goods and services.

Furthermore, as a condition of the last, eighth, round of exploration licences, oil companies have undertaken to help UK industry develop and promote its home-bred technology. This move, introduced by Mr Nigel Lawson, the then Energy Secretary, was designed to give UK industry a helping hand in the export market.

"Acquisition of British industrial know-how is as important as the oil," said Mr Lawson's successor, Mr Peter Walker, when he met a top-level Chinese petroleum delegation last week. China is regarded as a vital potential market for the UK offshore services industry.

It is too early to tell what impact this technology initiative is having. But it may be possible

to tell which oil companies are most actively supporting the Government's aim by the way their licences are allocated in the ninth round of concessions, now under Energy Department consideration.

Both the Government and the oil industry are anxious to maintain the raised tempo of licensing evident in recent years. The pace of exploration needs to be pushed along if oil companies are to have any hope of prolonging a high level of oil and gas production into the 1990s and beyond.

The UK may currently be the world's fifth biggest oil producer, with an output of around 2.3m barrels a day, but it will be a matter of only two or three years before the flow of domestic oil begins to slow, too. It is a sobering thought that it will be EACH YEAR the development of a dozen fields like Balmoral — one of those now earmarked for exploitation — to maintain the present rate of UK production (840m barrels annually).

The pace of exploration has picked up in recent years, partly because of oil price movements and Government licensing policies. Last year, for instance, 72 exploration wells were started on the UK Continental Shelf, the highest number since 1975. The pace of drilling has been maintained this year.

In order to give a further boost to exploration, as well as to encourage the development of small economically-marginal fields, the Government introduced sweeping tax concessions in the March Budget. Oil producers can now claim relief for any exploration and appraisal expenditure on the UK Continental Shelf.

It was perhaps inevitable that the tax changes would shake up the molecular structure of the

oil industry. And during the past few months the haves and have-nots in oil producing terms have been jostling to extract the most benefit from their different tax positions.

But it is BP which has thrown a spanner in the works by promoting the biggest tax deal of them all. The company aims to raise over £260m by selling 12.5 per cent of its heavily taxed interest in the mature Forties Field to less-successful companies with plenty of tax credits to spare.

The Forties stake would be sold by tender in small lots, each representing 0.25 per cent of the overall field.

BP, which wants to use the cash for newer, more profitable ventures, makes no bones of the fact that taxation is the raison d'être of the proposed deal. Indeed, in a letter sent to 170 North Sea companies, BP's bankers, Lazar Brothers, say unequivocally: "It is likely that an opportunity to acquire an interest in the Forties Field may particularly appeal to companies which have licence interests and exploration commitments but which are not able to obtain full UK tax reliefs for their expenditures."

The letter then lists five ways in which oil companies could use the proposed deal to their tax advantage. In addition, the bankers point out that companies and institutions might wish to acquire a stake in Forties as a prelude to incurring additional drilling licence commitments. Traditionally, the Government has looked more favourably on applications for exploration licences from those companies with a production track record.

The proposed BP deal, which has still to receive formal Government sanction, raises many issues. Its sheer size will queer the pitch for other producers contemplating similar offers; the amount of tax-sheltered cash thought to be available for such acquisitions is probably not much more than \$300m.

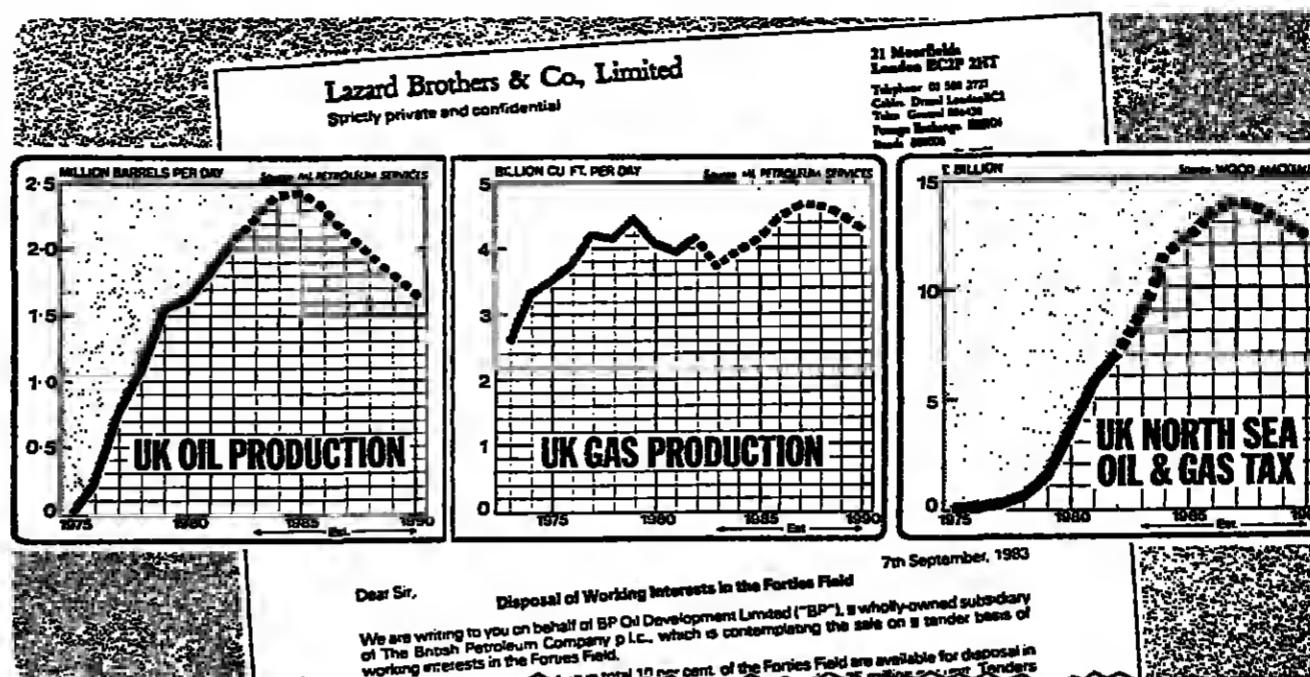
Secondly, the deal would introduce a new arrangement for changes in oilfield licence ownership, a fact that is concerning the Energy Department. Thirdly, and of particular concern to a hard-up Chancellor, the sale would make an appreciable dent in North Sea tax revenues. Industry estimates suggest that the Inland Revenue will receive between £240m and £310m less in Petroleum Revenue Tax and Corporation Tax over the next three years although this loss could be mitigated by extra Corporation Tax and Capital Gains Tax payments from BP.

For its part BP argues that in the longer term the deal will provide widespread benefits to both offshore producers and the supply industry. It points to the increase in exploration and development which is likely to result from the redistribution of Ferties and other producing field interests. And that, after all, was the intention of the Government when it introduced the tax changes.

## BRITAIN'S NORTH SEA OIL INDUSTRY

# The dawn of a new era

By Ray Dafter, Energy Editor



Dear Sir,  
We are writing to you on behalf of BP Development Limited ("BP"), a wholly-owned subsidiary of The British Petroleum Company plc, which is considering the sale on a tender basis of working interests in the Forties Field.

North Sea industry. And during the past few months the haves and have-nots in oil producing terms have been jostling to extract the most benefit from their different tax positions.

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## A warning from France

THE STRONG showing of the French National Front in the municipal election at Dreux, near Paris, is a warning not only to France but to much of the rest of western Europe. The arrival of an anti-immigrant party on the political scene — small though Dreux may be with its 35,000 inhabitants — will also be noted with concern in those countries that have supplied the stream of migrant labourers without which western Europe could not have managed the great economic expansion of the 1950s and 1960s.

Nobody need be surprised that recession and unemployment should have begun to arouse animosity against foreigners. In Germany, with 4.6m foreigners out of a population of 61m, feeling has been rising, especially against Turks, because they have proved unwilling to assimilate to German ways.

**Concern**

In Switzerland, with almost 1m foreigners in a population of 6m, the so-called xenophobia parties look like making a small contribution in the general election next month. Bowing to the wind, the Government has already made entry into the country more difficult. Britain, too, has been closing the gates.

What makes Dreux a cause for concern is that the local bourgeois parties in opposition to President François Mitterrand and to his Socialist Government embraced the National Front without being called to order by their national leaders such as M. Jacques Chirac, Mayor of Paris, co-president Valéry Giscard d'Estaing, and M. Raymond Barre, the former prime minister.

To their credit several leading personalities of the pro-Mitterrand regime, at their head Mme Simone Veil, did remonstrate against the Dreux alliance. If M Chirac shared their feelings, he kept his sentiments to himself. Admittedly his position is difficult: both sides of the right want an all-out attack on the Socialist Government, not shying away even from taking to the streets.

M Chirac has quite properly resisted their pressure.

Extra-parliamentary action,

laced with xenophobia, would not only be reprehensible in itself but could seriously threaten the stability of France at a moment when both the French and their neighbours face quite enough perils.

Economic circumstances, with 2m French workers unemployed, and the increase of xenophobia have induced the Government of M Pierre Maurois to clamp down on new immigration. Besides, and understandably, a drive has begun to prevent illegal immigration.

### Demand

Towards those migrants who are already legally in France, the Maurois Government has adopted a policy in keeping with a long-established, liberal French tradition. They are to be encouraged to assimilate to French society. It is a reasonable demand to make upon a group which, after all, constitutes some 8 per cent of the total French population of 51m.

Besides, in the danger to stability in France, and potentially, in other host countries, should anti-foreigner feeling be given free rein, one should also consider the effect upon the countries of origin of these migrant millions. A country like Portugal, for instance, is heavily dependent upon emigrant remittances to balance its external account.

Likewise, the countries of origin would face a catastrophic increase of unemployment if migrants ever had to return en masse.

Nor could the host countries contemplate such an exodus with equanimity. Present hope for a reduction of unemployment in the industrialised countries of Europe may be dim; but who can be sure that the army of Gastarbeiter will never be needed again? Who, indeed, can say that even in today's climate, there are not an essential element in the labour markets of several countries?

Notional leaders and under an obligation to avoid giving encouragement to xenophobia and to smooth the way for the integration of the migrants into their societies, Dreux should be a warning. It should not be given too much importance because the episode was localised; but it does leave a nasty taste.

### Parkinson regrets

what to make of the British government's decision to ban Aeroflot, the Soviet airline, from British airspace. The ban is likely to mean no Aeroflot landings at Shannon for two weeks, which will cost the airport about £150,000.

On the other hand it may spare the Irish the embarrassment of naming Aeroflot them selves in the same week that they expelled three Soviet diplomats for alleged spying.

Aeroflot's refuelling facility at Shannon was one of the brighter ideas of the already inventive Shannon Free Airport Development Company.

Russian ships bring the fuel up the river, saving precious foreign currency, while the Irish earn £1m a year in landing charges and services as the Russian jets refuel on their way to the Caribbean and South America.

The Russians also deliver some exotic visitors to the duty free shop. Fidel Castro, for example, is reported to have a liking for Jamaican whiskey on his stopovers.

Whether any of the passengers are carrying Nato secrets in their hand baggage is a matter over which a discreet veil has been drawn.

The lobby against the slaughter of seals in Canada is not content to rest on its laurels in spite of the EEC having imposed a two-year ban on all imports of Canadian seal skins.

The deal is currently being considered by the Office of Fair Trading but the final decision whether it should be referred to the Monopolies and Mergers Commission rests with Parkinson himself.

### Fishy tactics

The lobby against the slaughter of seals in Canada is not content to rest on its laurels in spite of the EEC having imposed a two-year ban on all imports of Canadian seal skins.

### Men & Matters

order to make Pierre Trudeau, prime minister of Canada, weigh the economic consequences.

Some £50m worth of Canadian salmon is imported into Britain each year for sale canned or frozen.

First shots in the campaign

have been fired. Nearly 200,000 postcards are winging their way from British members of the International Fund for Animal Welfare to such salmon marketing companies as John West, Epicure, Birds Eye, and Ross, urging them to press the Canadian government to stop the seal killing.

Might a compromise be found in a new line in tinned seal?

RBC Chemicals has applied for a £250,000 EEC grant to further its investigations.

The company says that this year some 23m bottles of wine will be produced in the EEC.

EU drinkers will soak up only 19m.

The current system of dispensing of surplus wine, with the help of further subsidies, by distilling it into wine alcohol only creates another problem.

Surplus industrial alcohol.

RBC has spent some £20,000 on a project with Newcastle University on methods of dealing with grapes. Together they have come up with the idea of substituting grape juice concentrate for cane molasses in the feed of unsuspecting lambs.

"In fact," says Nick Spencer of the alcohol division, "the lambs seem to enjoy the grape juice. They gained weight satisfactorily and no ill effects were observed."

And what about Sunday lunch?

"The meat quality was indistinguishable from lamb fed on a conventional diet," claims Spencer.

Observer

## Letters to the Editor

## British Gas pricing policy

From Mr M. Simons  
Sir—The Deloitte report on British Gas does not refer to the appropriateness of the Corporation's accounting conventions. These have led to a substantially higher gas price than has been customary in industry which in turn has brought massive depreciation charges also levied on plant under construction, and immediate write off of replacement assets. As a consequence the real rate of return for the depression year ended March 1983 was much higher than the 5.7 per cent published.

The Corporation's drive for big profits supported by the Department of Energy makes one wary about gas pricing policies advocated in the Deloitte report. One is left with the impression that the shorter and longer term needs of industry and of private customers have not been sufficiently considered by those who advocate that gas prices should be based on the cost of the most expensive gas viz currently Norwegian Frigg field gas. (The Norwegian and the French Governments hold substantial shares in the four companies

which own this field). What inducement is there for British Gas or indeed for the Department of Energy to encourage the Corporation to bargain hard for keen gas prices if high marginal costs cause all gas prices to rise?

The cost of marginal gas will be influenced by the profit expectations of the relevant operators. It is of concern that the report states "we understand that the UK sector all companies require a post real return of 8-10 per cent" and that the British Gas Corporation's 5 per cent return required in the 1978 White Paper "may need reconsideration". Norwegian sector operations presumably also "require" returns well in excess of those earned by industry in Norway and the UK.

Realistic energy pricing is essential for industry, while sensible heating costs, which rose 25 per cent per therm in the last financial year, are vital for our ageing population. The Government must take wise economic and social decisions.

M. E. Simons.  
24 Granard Avenue, SW15.

## The regional grant scheme

From Mr J. Crozier

Sir—Your editorial of September 6 described a view of regional policy as seen from London EC4. May I comment from the perspective of an assisted area. Seen from here the regional grant scheme has substantial virtues and should be retained.

It is "automatic," which means a businessman knows that he can rely on getting a grant. The alternative is to introduce "selectivity." Who is to select? Civil servants and politicians. For the business sector, selectivity means coping with bureaucracy, delay and uncertainty as to whether he will get any grant.

You support a "cost per job" ceiling. Unfortunately, it is determining the number of jobs created by a project is a major exercise in its own right. Those

capital intensive projects that you criticise create substantial employment during the building phase in the construction and engineering industries. Once in commission the plants may not employ many people directly, but they often create significant jobs downstream and in associated industries e.g. transport. In addition, such capital intensive industries often contribute large sums in rates and to substantial purchasing power into local economies through the wages and salaries of their employees.

You suggest that "assistance be restricted to inward investment by foreign companies which can provide genuine jobs and an immediate balance of payments gain." Are jobs created and sustained by firms already in the UK any less genuine than those of new entrants? I do not know. Is it not important for the dependent areas that their existing industries are assisted to modernise and to stay competitive on an international basis?

Loss of international competitiveness may have something to do with the decline of West Midlands industries. Creating an assisted area there would be a reasonable step in helping them in the fight back. But that can be done without tinkering with the present grant system which is straightforward and effective in assisting industry to modernise and survive by being competitive.

With the present recovery proceeding rather slowly and the cost of money high in real terms, I would argue that the level of regional grants should be raised, for a defined period, in order to give a non-inflationary stimulus to the UK economy in general and to the local economies of the assisted areas in particular.

J. F. Crozier.  
The Old Rectory,  
Great Stainton,  
Stockton-on-Tees, Cleveland.

## The borrowers and the banks

From Mr M. Mendelsohn  
Sir—May I suggest that the balance of power between borrowers and lenders is more subtle than suggested by some passages of Samuel Brittan's article of September 8, and that this applies especially to sovereign borrowers which, unlike companies, cannot be wound up for creditors.

It is true that a borrowing country's power increases with the amount it borrows, but only to a point. Countries which need to go on borrowing, as developing and east European countries will need to do, are compelled by that necessity to recapture their credit standing as soon as they can. Failure to do so entails a high cost in terms of the price and terms of the restricted amounts of new money that would be available to them.

That applies likewise to the misfortune of Professor Michael Lipson and Dr Griffith Jones, cited by Mr Brittan. They believe that if central banks were to discount some of the claims of commercial banks on sovereign borrowers, "it would

be important to avoid making the central banks' purchase price for sovereign debt so low as to give debtor countries an incentive to renege on their obligations. But borrowers would certainly be distressed by such a liability of \$100 acquired by a foreign central bank at, say, \$50. But so far from providing a temptation to repudiate, such a risk premium might provide a very strong incentive to regain a credit standing permitting new borrowing at less than the punitive cost reflected by very large discounts on outstanding claims held by creditors.

Mr Brittan's opening sentence captures arrestingly the subtle interplay by describing the dialogue between sovereign borrowers and commercial banks as a game of "chicken."

It can be described, also, as a three-legged race in which the partners can walk, limp and fall together, in which they can, indeed, do almost anything except part company.

M. S. Mendelsohn.  
35 Rochester Square,  
N.W.1.

## British Airways' leasing decision

From the Chief Executive,  
British Airways

Sir—Mr Darke, the national organiser, Aerospace, Technical, Administrative and Supervisory Section, Amalgamated Union of Engineering Workers, is writing when he says (September 8) that British Airways' decision to lease Boeing aircraft and not commit itself to the Airbus A320 is nothing to do with noise legislation and has everything to do with the Government's plans for privatisation. It is a fact that UK noise legislation requires us to dispense with our Trident fleet of aircraft by January 1, 1986.

The leasing arrangement is clearly the most logical, sensible and economical decision and furthermore it keeps open all our options—including the A320—until we know more precisely the likely pattern of

future air travel and our aircraft requirements to meet it.

The A320 will not be available before 1988-89 at the earliest, and it does not make sound financial and commercial sense for British Airways to commit itself so far ahead to a plane which exists only on the drawing board.

British Airways has long supported our aerospace industry, including most recently in our choice of the Boeing 757 which has Rolls-Royce engines and a lighter British value content than the comparable Airbus aircraft.

If the backer of the Airbus A320 are convinced of the excellence of their aircraft, then I suggest they go ahead and build it. British Airways will give it very serious consideration.

Colin M. Marshall.  
PO Box 10, Heathrow Airport  
(London), Hounslow.

## Solicitors and conveyancing

From Mr J. Pratt

Sir—Much of what Mr Holland says (September 8) is true but he does not deal with the central issue of why solicitors in conveyancing, unlike anyone else carrying on business in this country, should be protected from competition by a statutory monopoly.

While consumers of conveyancing services should, of course, be protected in the same way that other consumers are protected, why does consumer protection for this category of consumer require that they should be obliged to go to solicitors to have their business conveyed? If Mr Holland was really concerned about consumers protection, he would not argue in favour of relaxing the "monopoly" so that non-solicitor conveyancers, subject to certain safeguards such as compulsory negligence insurance, could provide a full conveyancing service? It would then be up to the consumer to decide whether he wished to avail himself of the added protection.

tection in using solicitors to which Mr Holland refers.

While chairman of the London Young Solicitors Group, I was aware that a substantial number of my members did not wish to retain the "monopoly."

I believe that a majority of solicitors practising in London (whether "young" or "old") and a sizeable minority of solicitors practising in the provinces, do not wish to rely on a monopoly to attract conveyancing customers.

I have no statistical evidence to support this view but equally the Law Society has not obtained any evidence of widespread support for its efforts to retain the "monopoly."

While I for one, as a non-conveyancer, would always use a solicitor in my business purchases and sales, I cannot believe that it can be right as Mr Holland suggests, to force others to do so.

J. H. Pratt.  
The Old Schoolhouse,  
Sutton Souternary,  
Abingdon, Oxon.

## The mortgage situation

From Mr B. Jamieson

Sir—Allstate McBay (September 8) says that banks assured borrowers that they were committed to home loans for good, which I do not think was quite true, and then goes on to say that now that mortgages are not so profitable they have effectively shut up shop. In fact surely, mortgages are now more profitable bearing in mind that there is a bigger differential between the rate charged and the present base rate.

The reason that the banks have had to pull out of the market is not because they are less profitable but because banks simply do not have the funds available for lending on a long term basis. The reason for that is that the building societies are presently offering interest rates to investors which are some 2 per cent or more above other market rates and,

therefore, the banks cannot hope to compete for those funds. This means that the banks are to a large extent dependent on buying money wholesale which gives very little or no differential for lending onwards at mortgage rates.

It needs to be borne in mind that at the present interest rates are well above the rate of inflation—something which has not prevailed for many years.

I think it is also worth making the point which is rarely stated that the building societies are continually having repayments on mortgages coming into their coffers on a monthly basis and much of this money is available for lending on. It is not only the new money from investment.

B. G. W. Jamieson.  
18 Binfield Road,  
Bifield, Surrey.

## Uranium mining in Australia

From the Executive Officer,  
The Uranium Institute

Sir—Writing about the recent violence at the Olympic Dam mine in Australia, August 29, your correspondent refers to the "growing opposition in Australia to the mining and export of uranium" as fact. This is highly questionable. Indeed, there is evidence that support for uranium mining is growing.

Gallup polls have posed the question "do you think Australia should or should not develop and export uranium for peaceful purposes?" on three occasions. In June 1979

51 per cent responded positively. This percentage rose to 55 per cent in June 1981 and in the recent poll of July 1983 stood at 66 per cent. Over the same period those responding negatively declined from 36 per cent to 20 per cent.

The recent violence may mark growing vociferousness on the part of those opposed to uranium mining in Australia, but it is questionable to imply that opposition is growing.

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The



# FINANCIAL TIMES

Tuesday September 13 1983



## SAUDIS CONTINUE LEBANON PEACE MOVES

## U.S. increases task force strength

BY PATRICK COCKBURN IN BEIRUT

SOME 2,000 U.S. marines joined the U.S. task force off the Lebanon coast yesterday in a bid to strengthen the position of the 5,000 strong multinational force stationed in and around Beirut.

The force has come under intermittent artillery attack over the last month.

The insecurity of the U.S., French, Italian and British troops was emphasised yesterday when the marines came under small arms fire from nearby slum areas dominated by the largely anti-government Shi'ite sect.

The Government of President Amin Gemayel hopes that its position will be shored up by greater military support from the U.S. and other governments contributing to the multi-national force.

Increased help from Washington seems more likely as U.S. officials have backed up government claims that Syrians, Palestinians and Iranians as well as Druze militiamen, have been involved in fighting against the Lebanese army.

But the bulk of fighting is still being done by the Druze and the Government.

## Immigrants 'stretch Bonn social security'

By Jonathan Carr in Bonn

FOREIGN workers and their families in West Germany are receiving a growing share of key benefits provided by the country's sorely-stretched social security system.

A report released today underlines that foreigners there have the same legal right as Germans to social benefits, and have to make the same contributions. But it also stresses that foreigners have much bigger families than Germans; they are more often, and the proportion unemployed is well above the national average.

The report by the Institute of the German Economy (IW) in Cologne makes clear the financial reasons why the Bonn Government is keen to limit, and if possible cut, the number of foreigners in Germany. Beyond that, it reveals a potential for growing social friction between the 4.7m foreigners (7.8 per cent of the population) and Germans at a time of increasing joblessness and budget stringency.

The report shows:

- The number of foreigners receiving social welfare benefit (for those in special need) has gone up sharply. In 1970, foreigners accounted for only 1.3 per cent of those receiving benefit; in 1981, the share was 8 per cent, and growing.

• Last year, DM 2.03bn (\$759m) in family allowances was paid out for 1.7m foreign children (nearly 15 per cent of all children eligible for payment). The biggest single slice (DM 1.1bn) went for Turkish children, followed by Indians (DM 263m) and Yugoslavs (DM 229m). Changes in the system this year indicate that foreign families will have a still bigger share of children's allowances in future.

• The unemployment rate of 14.1 per cent for foreigners (May, 1983) is well above the national average (8.8 per cent) largely because foreigners are often in less skilled, and hence less secure, jobs than their German colleagues.

## Political outcry in France after National Front election victory

By Paul Betts in Paris

THE ELECTION of four members of the extreme right French National Front to the town council of Dax - a town with a large North African immigrant population, 55 miles west of Paris - caused a major political outcry in France yesterday.

It is the first time the National Front has won seats on the council of a medium-sized French town of about 35,000 people. Their election, after a bitter campaign centred on the immigrant issue, reflects the climate of racial tensions prevailing in many parts of France.

The election on Sunday at Dax, a town which has become a case history of immigration in France, represents an important political defeat for the ruling Left. Until this year, Dax has been a symbol of the advances of a new breed of young socialists close to President François Mitterrand and M. Pierre Mauroy, the Prime Minister. These young socialists included Mme Simone Veil, the former minister in President Giscard d'Estaing's Administration, who openly opposed the decision and urged voters to abstain.



Mr Amin Gemayel

Damascus suggest that the Sandi peace plan provides for a general ceasefire and for an enlarged Lebanon conference that would include both Christian and Druze representatives, as well as the Lebanese Government of President Gemayel, who yesterday convened a top-level meeting to consider the draft agreement.

Meanwhile, diplomatic sources in

On the key issue of the future role of the Lebanese army, the diplomatic sources said that it is being suggested that civil police forces take over responsibility for security in the Shouf mountains.

The draft proposal seems to call for the army not to be used in "domestic" troubles involving the various factions now fighting each other.

There was little change in the situation at the battle front yesterday. The army is fighting to retain its position at Souq al Chabat overlooking the capital, which is of critical strategic and symbolic significance for the Government.

The Christian militia forces say they have regained control of two villages in the Shouf mountains to the south of Beirut, but Druze soldiers are confident they will overrun the whole area in a few days.

They may then cut the road linking Beirut with the city of Sidon to the south, which the Lebanese army, very short of men to meet all its commitments, has been unable to secure.

## Soviet missile hints 'yet to be clarified'

By Bridget Bloom in London

THE SOVIET UNION's much publicised hints that it is now prepared to be more flexible at the European missile talks in Geneva have yet to be translated into concrete proposals at the negotiations themselves, a senior U.S. official said in London yesterday.

Mr Richard Burt, Assistant Secretary of State responsible for arms control at the State Department, said that neither the Soviet proposal to destroy some of its new SS20 missiles nor an earlier offer to count warheads rather than the missiles had been clarified by Soviet negotiators at Geneva.

"When we get round the negotiating table these concessions never quite appear," Mr Burt told a press conference following a one-day meeting of Nato's Special Consultative Group (SCG), the body which co-ordinates Nato policy on the medium range missile talks.

The SCG broke with tradition to meet in London rather than Nato's headquarters in Brussels in an effort, officials said, to stress the unity of Nato as the December deadline for the deployment of new cruise and Pershing 2 missiles approaches. The first cruise missiles will be deployed in Britain and the Pershing 2s in Germany.

The high level group of officials issued a strongly worded communiqué which stressed that the deployments would go ahead in the absence of real concessions by the Soviet Union, though it said that missiles deployed could later be removed if agreement was reached.

Mr Burt appeared to cast doubt on suggestions that the Soviet Union might now be prepared to drop its insistence that Britain and France nuclear missiles must be included in any agreement on medium range missiles, so far a major obstacle to progress in Geneva.

Herr Genschet, the West German Foreign Minister, said at the weekend that, following talks with Mr Gromyko, the Soviet Foreign Minister, he believed Moscow might now agree to shift the question of the British and French missiles into the Start negotiations of strategic missiles.

Mr Burt said he had "really no new information" on this. Other U.S. officials have been blunter in private, suggesting that Herr Genschet made his remarks principally to meet opposition criticism within Germany to the deployment of the new missiles.

Mr Burt also parried questions about reports from Washington that President Reagan has authorised a more flexible U.S. negotiating stand at the Geneva talks. It has been suggested that the U.S.

ERSIGNIFICANTLY, however, the turnout at Sunday's Dax election was higher than in the first round, and the rate of abstentions much lower. This further reflected the depth of feeling caused by the race issue.

The Socialist Government has become increasingly aware of the potentially explosive nature of the immigrant problem in France, and has just introduced new measures to clamp down sharply on illegal immigrants in the country.

M. Mauroy said yesterday that the Dax result threw up what he called a "harsh light" on France's immigration problem. He renewed his Government's recently-announced policy towards the issue involving, in his words, "new immigrants, the escorting of illegal immigrants to the border, and better integration for immigrant workers who have lived with us for many years."

Editorial Comment, Page 18

## Oil stocks at three-year high

Continued from Page 1

in the 1.5m b/d limit and the quotas for individual countries.

The majority within Opec are believed to be in favour of extreme caution with the present ceiling. They are worried because it has been breached and continued over-production could undermine the price structure based on a reference price of \$38 per barrel established in the spring and defended successfully since then.

Last week Dr Said Mana al-Otaibi said he saw no justification for raising the ceiling.

Saudi Arabia and Kuwait are known to think that any increase in the 1.75m b/d ceiling could jeopardise the whole delicate pact on production and prices because of the disagreement and disputes over individual quotas likely to arise. For the same reason they are against

### WORLD OIL SUPPLY AND DEMAND IN 1983 (millions of barrels a day)

1983:	1st quarter	2nd quarter	3rd quarter	4th quarter	Total
Demand	44.9	43.0	42.3	45.7	44.0
Non-Opec oil supply	24.9	25.5	25.7	25.7	25.5
Additional requirements	20.0	17.5	16.6	20.0	18.5
Opec production:					
Crude	15.3	16.5	18.0		
NGL	0.8	0.8	0.9		
Total	16.1	17.3	18.9		
Supply/demand balance	-3.9	-0.2	+2.3		
Total oil supply	41.1	42.8	44.6		

Source: International Energy Agency

ers, especially Iran, are resentful of Saudi Arabia's benefit from the stronger demand for oil in the third quarter.

At the same time other produc-

## ENI signs funding package

By Rupert Cornwell in Rome

ENI, the Italian state energy agency, yesterday signed a £1,000m (\$2.5bn) financing operation with a pool of 84 banks, led by the Banco di Roma, in what is claimed to be the largest such operation of its kind ever mounted in Italy.

The facility will run for 18 months, and is divided into two parts: £675m will take the form of a straight financing, while the remaining £325m will be available as a standby credit. The rate of interest is tied to the prime rate operated by the Italian Banking Association, and the three-month interbank lira rate.

Regional presidents of the Brazilian Government-backed Partido Democrático Social (PDS) yesterday called for the rejection of the salary law and for overall changes in economic policy.

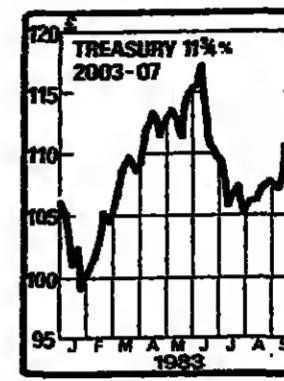
On Sunday, the President of the Chamber of Deputies, Sr Flavio Marcilio, himself a PDS member, said in a newspaper interview that a "preponderance" of congressmen were opposed to the proposed limitation of all wages to 80 per cent of the official inflation figure.

The country's critical shortage of foreign exchange has been a source of extreme nervousness in financial markets for several weeks, leading to fears of a default on its \$90bn foreign debt. Brazilian officials had been hoping for an immediate resumption of lending once the Letter of Intent was signed.

Though this now appears unlikely, the way is being cleared for implementation of the rescue package once the IMF endorses Brazil's economic programme. One factor that is likely to prevent an immedi-

## THE LEX COLUMN

## Gilt-edged in the fast lane



Over the last two Fridays, the U.S. money supply indicators have emerged far below consensus forecasts, that has been enough to convince some observers that the rate of economic growth has slowed sharply. As a result, the dollar weakened yesterday; a comparison with what happened through last year may prove instructive. Then the prospect of lower interest rates encouraged purchases of dollars in order to participate in the prospective capital gains offered in the financial markets, with a flight to quality, a reinforcing factor. To judge by yesterday's reaction, it seems that anyone who wants dollars already has them.

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## SECTION IV

## FINANCIAL TIMES SURVEY

The Netherlands  
BANKING, FINANCE AND INVESTMENT

## Radical approach to restore prosperity

FOR GENERATIONS there has been no equivalent of Skid Row in the Netherlands. Social concern and prosperity have ensured adequate provision for all. In 1983, as the world economic recession batters the Dutch economy, that capacity to cope is being strained to its limits. Steps have had to be taken to ensure recovery and every sector of society, from top bankers to the unemployed, has been forced to play its part.

Mr Ruud Lubbers, the affable, born-to-money industrialist who serves as Prime Minister in the Christian Democrat-Liberal coalition that has governed since last November, seems an unlikely candidate to see through this new industrial revolution. A moderate man with an active social conscience and a willingness to please, he does not appear to have that quality of Thatcherite steel in his make-up that might be thought essential to the taking of tough decisions.

The facts, however, belie any such analysis. Under Mr Lubbers the Dutch Government has acted with more resolve and unfurled determination to rebuild economically from the bottom up than any other administration in Western Europe. Politicians and social theorists may dispute the value of what has taken place in the Netherlands in the past year. Few, though, would doubt that it has been radical.

Unemployment, which in the 1960s and early 1970s was so low that one former Minister

cannot recall discussing it in cabinet, now stands above 800,000. This is an estimated 17.3 per cent of the working population and the average statistic of its kind in the European Community. Mr Lubbers is known to be concerned about the situation. Yet he has steadfastly refused to do anything that might create work on a large scale. On the contrary, he has seen to it that, in the public sector, as many jobs as possible are axed. His argument is that it is only economic recovery that can re-establish jobs that matter—jobs with a future.

The welfare state—generous, benevolent, essentially tolerant and in some ways modern. Holland's proudest boast is its "happy" about the pay cuts to be borne by civil servants next year (the net effect of which is around 6.5 per cent) while Dr Rudolf de Korte, the Liberal's financial spokesman, said that all cuts should be "real and substantial". In the case of wage reductions in welfare benefits exceeding even those in wages.

Will the medicine work? Manufacturing output, seasonally adjusted, fell by 1 per cent in June compared with May. In the second quarter output was marginally greater than in the previous two quarters but still 3 per cent down on the April-June period of 1982. Only the chemical industry appears so far to have made any significant gains.

In terms of trade, there was a Dutch surplus of Fl 8bn for the first six months of this year—a decrease of 5 per cent over first-half 1982. Mr Lubbers has forecast an annual surplus on the current account of the balance of payments of Fl 10bn—slightly up on the adjusted Fl 9.8bn recorded last year—but analysts think he may be underestimating the potential now available. A total of Fl 11bn-Fl 12bn now appears far from impossible. Sales of natural gas, which fell badly last year, picked up 10 per cent in the six months to the end of June, and if this improvement, as seems likely, can

last year, while the budget deficit this year, including the effect of borrowing, is expected to reach 11.5 per cent of national income, or 10.3 per cent of Gross National Product. The Cabinet's aim is to reduce this latter figure to 7.4 per cent in the life of the present Parliament; to do this public spending must be cut ruthlessly all along the way. Savings of Fl 15bn were instituted this year and the 1983 financing deficit should work out at around Fl 37.3bn.

As illustrations of how tough

the coalition is prepared to be

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"happy" about the pay cuts to be borne by civil servants next year (the net effect of which is around 6.5 per cent) while Dr

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## NETHERLANDS BANKING II

Results so far this year show welcome recovery

## Whiff of revival in the air

## The Banks

**CONSOLIDATION** is the dominant theme of Dutch banking this year. There is a whiff of economic recovery in the air and, having harrased them selves against the vicissitudes of recent years by means of greatly increased provisions for呆呆, the banks hope that results for 1983 will mark at least the first tentative step out of recession.

Signs so far are encouraging. First-half earnings are in most cases well ahead of the opening six months of 1982, and provisions will still have, at least increasingly at a reduced rate. By nature cautious, Dutch bankers are unwilling to put up posters announcing the recession that "the end is nigh." In private, however, they have begun to exude confidence again, while even their public statements cannot conceal their feeling that something somewhere is on the mend.

The major institutions, and many of the smaller, have been occupied with re-examining their organisational and market structures and in some cases gearing up for a more specialised approach. The bigger banks, it may be said, continue to gaze overseas in search of profit opportunities while the smaller try to estimate the possibilities of the domestic pool. All are looking for new ways of making money and, only partly out of altruism, it is true—of helping Dutch industry get back on its feet after the last few difficult years.

**Little changed**

Little has changed in the line-up. As before, *Algemene Bank Nederland* (ABN), *Amsterdam-Rotterdam Bank* (Amro) and *Nederlandse Middenstandsbank* (NMB) are the three commercial banks. *Rabobank*, the co-operative giant, is in terms of gross profit, earnings and number of branches the biggest bank of all and over the past two years has been stretching itself in important new directions. Nevertheless, because of its confederate and co-operative status (it is not listed on any stock exchange) it is in a category of its own.

Next come the *Nederlandse Credietbank* (NCB) and *Slavenburg*—the latter now renamed *Credit Lyonnais Bank Nederland*—and then the mortgage and savings banks, *Mees and Hoyng* and *Pierson, Heldring and Pierson*, the two best-known Dutch merchant banks, are owned respectively by ABN and Amro, but F. van Lanschot remains independent in this sector and is one of the most profitable small banks in the Netherlands.

At the pure news standpoint of course, the main feature of interest this year has been the so-called *Slavenburg's affair*—involving the arrest on fraud charges of 11 top past and present officials of the

provisions.

Provisions jumped by 66 per cent to Fl 290m, well over half the Fl 500m allocated in the

whole of 1982. Even so NMB, in which the Dutch state has a 22 per cent holding, still saw earnings increase by 9 per cent, to Fl 55m, with gross profits 50 per cent up, at Fl 385m. With Dutch industry beginning to show some signs of recovery the bank can expect to further strengthen its position over the next few years.

The NCB has for several years been overshadowed by its larger rivals. Not big enough to compete in the international field but still a fully functioning commercial bank, with universal facilities, it has been running fast and hard to try to stand still. Earlier this year there were rumours that *Chase Manhattan* of the U.S. owner of 31.5 per cent of NCB equity, was either going to sell out or else increase its holding. Neither possibility has been confirmed.

Meantime net profits have edged up by 10 per cent from Fl 5.7m in first half 1982 to Fl 6.3m at the end of June this year. The gross result, at Fl 46.8m, was 12.5 per cent up in both cases. The bank figures are relatively small.

Slavenburg's last autumn has been engaged in shutting down 40 of its smaller branches, with the loss of 400 jobs, while gearing up to cope, technologically and organisationally, with a higher involvement in corporate financing. As with the NMB, better things lie ahead.

Of *Slavenburg's* Credit Lyonnais Bank Nederland—a great deal has already been written, with more to come when the various fraud cases eventually come to trial. But as a bank under the new French-imposed regime of M Georges Vigon, it is on the way up again. In the sense that it hit an all-time low this year and with them taken by the scruff of the neck and relaunched with a new name, new management and fresh capital, it has to be a good investment. The earnings figure for the first six months was, with the Fl 14.5m surplus after tax and third party commitments being added to provisions, gross profit came to a mere Fl 24.8m, against Fl 42.5m 12 months earlier, and the balance sheet total fell from the December 1982 figure of Fl 11.5m to Fl 10.9m.

These figures though, following an extraordinary, fraud-related loss of Fl 203m, are likely to represent the low water mark. Credit Lyonnais of France, which now owns nearly the entire share capital, is determined to complete its clean-up and get things moving again.

If this look at the Netherlands' commercial banks has seemed to concentrate on the three smaller institutions, this is because they have been busiest in picking themselves up after being, to a greater or lesser extent, jostled by the recession. Amro and ABN have also been hit of course—especially the former, which found 1981 and 1982 a couple of tough years.

But both are very big organisations, with a degree of expertise and resilience that was bound to carry them through. Each is highly active

on the bonds and money market fronts and hardly a month passes without some large company announcing that one or other is lead-managing an international syndicated loan in the fields of Dutch exports or overseas expansion.

Then there is Rabo. This Utrecht-based agricultural cooperative bank is so much more than it seems that it is becoming difficult not to regard it simply as a universal commercial bank. What distinguishes it from the others is its structure of ownership (co-operative and federated, strongly tied to the regions and farming) and the fact therefore that it is a public company.

Rabo is profitable. In the first six months of this year it earned Fl 301m, a 24 per cent improvement on the opening half of 1982. The gross profit was Fl 75m, a rise of 20 per cent, while the risk provisions went down by 20 per cent to Fl 315m. The bank this year opened a representative office in London to add to its branch in New York, office in Frankfurt and subsidiary in Curacao and embarked for the first time as lead-manager on the international bond market. At home it noted a slight pickup in the demand for credit and the beginnings of stability in the housing market after three dreadful years of falling prices.

## Housing demand

The partial recovery in housing prices and demand also accounts to some extent for the improvement in the prospects of Westland-Utrecht, biggest of the independent mortgage banks. Last year Westland-Utrecht was in serious trouble and recorded a loss of Fl 47m. There were even fears that it would collapse entirely, throwing the whole mortgage sector into disarray. But while this year's first-half loss was told to only Fl 19.7m, a 50 per cent improvement on 12 months previously—much of the revenue that made this possible came from a massive sale in February of property valued at Fl 375m.

A much smaller mortgage bank, the Tilburgse Hypothekenbank, has been less lucky. Even assistance from the Dutch central bank did not help it and last month it filed for bankruptcy. Friesch-Groningsche Hypothekenbank, which last year lost Fl 51m, came back, however, with net loss of only Fl 1.5m for the first six months even after the addition of Fl 27.5m to provisions. A similar picture is expected to emerge for 1983 as a whole.

Savings banks in the Netherlands have continued to suffer from competition and fragmentation. The biggest, Centrum Bank, formed in 1981 as a result of the biggest amalgamation in the 161 years of the savings bank movement, has however, shown that strength can lead to improved financial results. In 1982 the Centrum Bank—which is contemplating an early change of name—recorded earnings of Fl 41m—up 11 per cent on 1981—and had a balance sheet total of more than Fl 8.7m.

## Probe into 'black money' circuit

## Commission of Inquiry

**THE PAST** year in Dutch banking has been one in which the dark side of the business emerged somewhat luridly into view and threatened to overshadow—at least in the public mind—the conduct of normal operations. While banks generally were busy with the proper maintenance of earnings, there were persistent allegations of widespread fraud centering on the processing of "black" or undeclared, funds.

Most spectacularly, the Dutch fiscal police carried out raids in February on the Rotterdam headquarters and two branches of *Slavenburg's* Bank, the sixth largest in the country. They were looking for evidence of fraud and what they found led eventually to the arrest of eight past and present officials of the bank.

The raids were, naturally, traumatic for *Slavenburg's*, which has since changed its name to *Credit Lyonnais Bank Nederland* as part of a drive by its French owners to restructure and clean up its affairs.

But previous reports in the Dutch press concerning the existence of an extensive black money circuit had made all of the banks nervous. *Slavenburg's* troubles were perceived by many as but the most acute symptom of an all-infecting malaise. Questions have since been asked by ordinary men and women about the probity of their domestic banks which previously would have been directed solely at certain institutions abroad.

Because of the disquiet the Tax Department of the Finance Ministry, together with the Central Bureau of Statistics, was last month ordered to investigate the 1981 bank accounts of 1,000 Dutch households selected at random. As

many as 3,000 accounts will be examined (out of a national total of nearly 11m) and the results of the inquiry will be sent to the Minister of Finance, who will then report to Parliament. MPs are expected to debate the subject next spring.

Not surprisingly there have been several expressions of concern about the breach of privacy that will be an obvious consequence of the inquiry, but the central bank and the banks themselves have pledged their co-operation, so that if there is "black money" in the system to any significant degree, some at least is likely to be revealed.

Mr Herman Ruding, the Finance Minister, had first called for an investigation by the Public Prosecutor's Office and there was then talk of an inquiry by the Fiscal Information and Research Bureau. Mr Ruding has, however, chosen to keep the matter out of the hands of the Justice

Ministry at this stage—no doubt in order not to be seen to pre-judge the issue—and is clearly concerned that no damage should be caused to confidence in the banking system.

**Serious view**

That confidence in the system should be called into question in the first place is a measure of how seriously the Government views the situation.

Ministers are worried that some branches of at least some banks have been engaged in unlawful dealings—the "laundering" and exporting of funds of which no tax has been paid in the Netherlands. *Nieuwe Revu*, the Dutch Left-wing magazine, alleged last December that two of its journalists, posing as business men, had been offered help by banks throughout Holland in the processing of black money.

The assistance was on a virtual

over-the-counter basis.

Other papers quickly took up the story and the publicity was such that Mr Ruding himself demanded immediate action. Within days new guidelines had been drawn up by the Association of Dutch Bankers setting out the responsibilities of banks in the context of the revenue authorities. It was made plain that the banks had a duty to ensure that their involvement with clients' money was at all times in conformity with the law.

At the same time Mr William Duisenberg, Governor of the Dutch Central Bank, delivered a homily from Amsterdam on the subject of banking ethics. He warned bankers against the dangers of giving in to temptation but conceded that black money, like the pooh, would always be with us. More recently, in his foreword to the Bank's annual report for 1982,

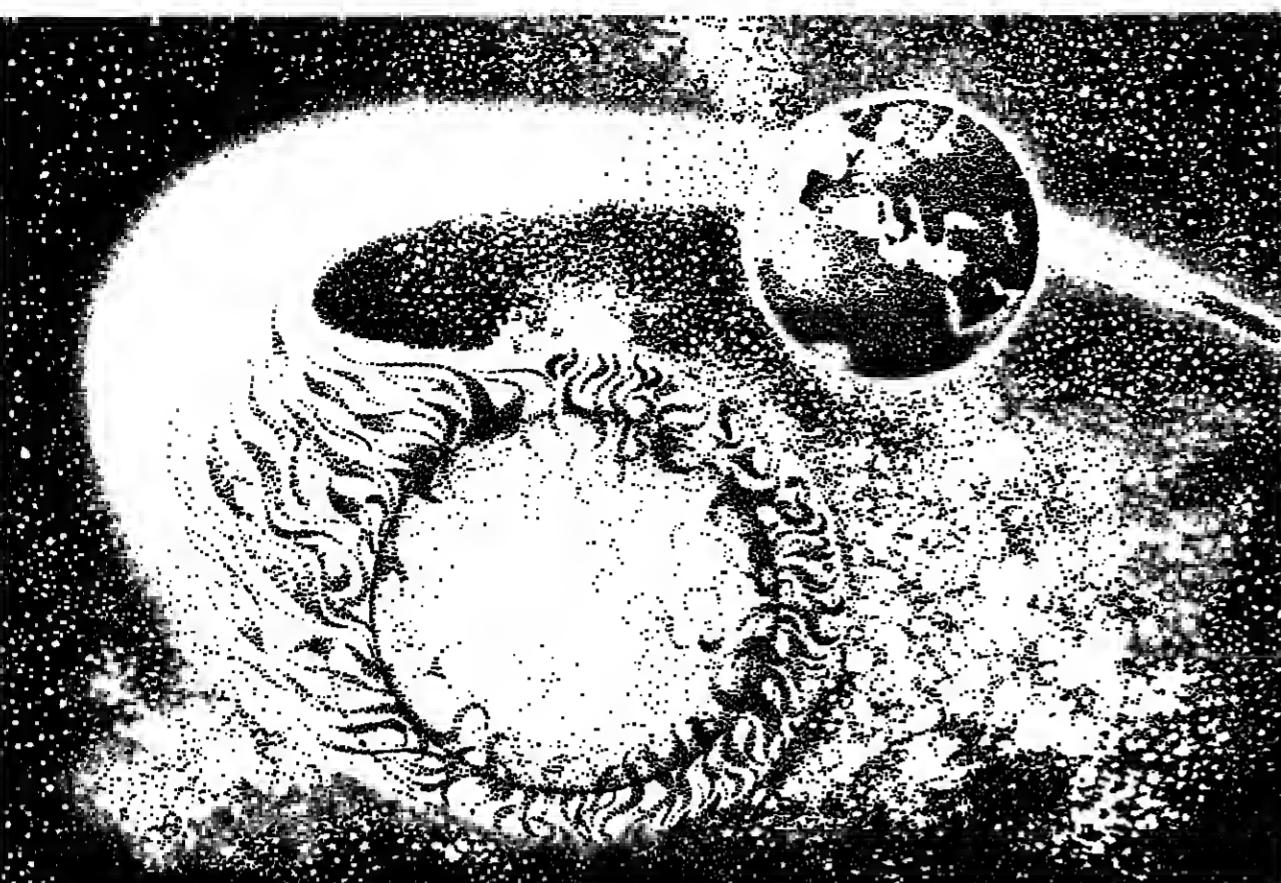
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P.O. Box 424, 9700 AK GRONINGEN, The Netherlands,  
Tel: (050) 267826 Telex 53917

## NETHERLANDS BANKING III

## Halo slips as shareholders react to malpractice inquiries

## Central Bank

NO ONE in Dutch banking circles would dispute the sanctity of the Nederlandse Bank (the central bank) which for generations of money men has been a model of the true faith, combining shrewdness with probity and extolling the virtue of honest profit. Equally, there can be few who would dare that in recent months its halo has slipped a little.

First, in February, there was the Slavenburg's affair — the long-running saga of the uncovering of alleged fraud inside the country's sixth-biggest bank. What happened at Slavenburg's detailed elsewhere in this column. From the central bank the problem was then in public at least. It turned out to be as shocked as anyone else when the fiscal police raided Slavenburg's headquarters and began a series of top-level arrests.

Questions were at once asked about the bank's capacity to monitor illegal goings-on within the commercial systems. The reply of Mr Wim Duisenberg, president since the beginning of last year, that it was not his job, or that of his staff, to inter-

## Difficulties

The second, and more recent, cause for the bank's discernible descent from grace concerns the Tilburgsche Hypotheekbank, a small mortgage bank which ran into serious difficulties last year as a result of the disastrous slump in Dutch property prices which began in 1979. Concerned about the possible loss of confidence that might ensue from the collapse of even a small bank, the central bank sent a team of experts to put the Tilburgsche back on a sound footing, using the granting of a moratorium on repayment of debt as a temporary financial shield. Last week the Tilburgsche went bust and the official receivers made formal application for bankruptcy.

Shareholders were outraged

not so much by the collapse as by the fact that the bank had gone on trading as usual right up to the end, handing out mortgages and issuing bonds. Investors seem to lose millions and many feel that someone high up should have been better informed.

Other disgruntled investors are the burgesses of the four Dutch towns of Urk, Hillegom, Monster and Nieuwveen, who are to appeal to the High Court of Appeal against a lower court ruling that the central bank was not responsible for the consequences of a second bank collapse. The four town councils had invested a total of F11m in the Amsterdam-American Bank, which was forced to close down in October 1981. The councils got back only F1.5m of their money and believe that the central bank should have been in a position to warn them in good time of the approach of disaster.

The Association of Dutch Municipalities is backing the four towns and the proceedings could yet prove embarrassing for the central bank. Even if it is confirmed that technically, it bore no responsibility, people will wonder anew why no alarm bell ever rang in the Nederlandse Bank.

In other areas too Mr Duisenberg and his senior colleagues have not found the going as smooth as they would

have wished. Regulation of the guilder is, along with supervision of the commercial sector, the primary function of the central bank. Yet as events proved during the realignment of the European Monetary System (EMS) on March 21, it is the Government that takes the decisions.

The extreme weakness of the French franc, it will be recalled, had persuaded the Maastricht Government in Paris that an immediate shift in EMS parities was urgent. The Dutch were unhappy about the proposed changes, and Mr Herman Ruding, the Finance Minister, clearly went to the ministerial council meeting in Brussels determined to ensure that, whatever else happened, Dutch competitiveness was not damaged by outside interests.

## Devalued

In the event the franc was devalued within the system by 2.5 per cent. But while the Deutsche mark moved up by a full 5 per cent, the guilder was revised by 3.5 per cent only, thus creating a 2 per cent gap between it and its German sister-currency.

For years the guilder and the D-mark have moved in parallel and the link remains a fundamental aspect of central bank policy. Mr Pieter Korleweg, the

Government's Treasury-General, said two days after the Brussels meeting that the West German authorities were well aware of the unique nature of the Dutch economy. A storm is brewing? Perhaps. But aside from the dual impact on trade in the Netherlands and West Germany, the incident is an illustration of the primacy of politics over fiscal purity.

Meanwhile it had become clear that the central bank had fought a rearguard action against the unequal revaluation. Mr Ruding told the Dutch Parliament that the bank's recommendation had been to keep the guilder abreast of the D-mark and that its subsequent position was that there should be no repetition of the events of March 21.

Generously, in the circumstances, Mr Ruding read out to MPs the core of the bank's thesis: "The parallel relationship between the guilder and the mark in recent years has brought the level of inflation in this country down to one of the lowest in the world and made a cut in interest rates possible... to preserve these positive trends the guilder must be maintained. Improved productivity would, meanwhile, postpone readjustments of currencies within the EMS."

Mr Ruding, who had already indicated that no future widening of the gap was anticipated, pointed out that the bank had been acting mainly on monetary

premises. The Government, he said, had also been guided by economic concerns, including the country's competitiveness. A storm is brewing? Perhaps. But aside from the dual impact on trade in the Netherlands and West Germany, the incident is an illustration of the primacy of politics over fiscal purity.

In fact that primacy is set out in the Act of Supervision of the Credit System, which charges the Government with monetary and prudential control while leaving final responsibility for monetary and structural policy to the Government. What is worth noting is that the two institutions normally work in such close harmony that disputes are extremely rare and power play irrelevant.

Certainly there is no hint of ill-feeling between government and bank. Mr Andries Szaa, director of external relations, told the Financial Times that priority had to be given to a strong currency if low interest rates were to be maintained. Improved productivity would, meanwhile, postpone the terms of trade. "This is our principle at the bank and the Government is in sympathy despite the one-off nature of the last EMS changes. We have a common philosophy and are moving along the same lines."

One last thing: if one measure of a bank's success is the money it makes, then the Nederlandse Bank scores. In 1982 net earnings came to F1.6bn — a 21 per cent improvement on 1981 and by far the best performance of any bank in the country.

## Probe into 'black money' circuit

CONTINUED FROM PREVIOUS PAGE

Mr Duisenberg mused on the dilemma black money posed to the central relationship of trust between a banker and his client. He also made it clear that, ultimately, the problem was not one for him and his staff.

The crime of evading taxes and social insurance contributions must be combated by the judicial and fiscal authorities. Where it is a matter of tracing an evader of taxes or social insurance contributions, the co-operation of the banks, too, may be asked and must be given. However, one of a bank's essential functions consists in the custody and management of funds entrusted to it by its customers. The loss of trust in a bank spells its demise. The basic principle must be respected in the prevention of tax evasion, on pain of the loss of the banking system's functions."

Mr Duisenberg concluded: "The Nederlandse Bank exercises prudential supervision over the banking system. This

supervision is directed towards those aspects of a bank's operations which are specified by law. It is these aspects for which the Bank is equipped and on which its control is focused. The Bank supervises banks, not their customers. If the Bank, when exercising its supervision, comes across activities which appear improper, it takes steps to terminate these activities. Not only does this put an end to unlawful acts; it also removes the threat which such acts pose to the interests which the Netherlands Bank has a duty to protect in a more direct manner, viz. the reputation of, and hence confidence in, the banking institution concerned. An active role in combating black money cannot be undertaken by the Bank. The Bank cannot and should not be asked to assume a function which the law has (rightly) not imposed upon it."

Commercial banks are equally opposed to the idea of disturbing the trust relationship. It has been suggested by some that the revenue authorities should have

greatly increased access to information on bank accounts. But Mr Pieter Lardinois, chairman of the executive board of Rabobank, the giant co-operative, spoke for all of the Dutch banks when he told a parliamentary commission in January that the result of increased access might well be a flight of capital from the Netherlands.

Later in the year Mr Andre Batenburg, chairman of Algemene Bank Nederland (ABN), the country's largest universal bank, went further. He claimed that as a consequence of client uncertainty and the extent of tax demands business clients were already exporting undeclared thousand guilder notes virtually by the barrel-load. If banks were at times pressured to assist in such transfers, he added, to imply, customers were quite willing to go it alone if required. Mr Batenburg said that the rate of outflow could lead to a flight of F1.25m to F1.3bn this year.

Mr Ruding at once looked into the situation and in April he told MPs that he was unable

## Did Peter take the plunge into options? And does Bill still stubbornly refuse to be convinced?



"Shall we have a drink at the bar?" Bill suggested, not showing the slightest inclination to look for a table.

"Fine with me," answered Peter, carefully putting his folded newspaper back onto the bar.

Bill eyed the paper. "Ah," he anticipated, "you've taken the plunge into options?"

"No, not yet."

"Then why the newspaper?"

"If you remember, after our last meeting you were still unconvinced as to the - in my opinion - excellent opportunities offered by options."

"True enough."

"And I said I'd been making a dry run... following the fortunes of options just as though I'd bought them."

"I remember, you made quite a fuss over the profits you would have earned."

"Now I want to show you something else," said Peter, opening the paper alongside a cutting dated a couple of months earlier.

"If, I repeat if, I'd bought this call option four months ago," he ran his finger down the list, "it would have cost me £150."

"Oh, is that all?" Bill raised an eyebrow.

"Now have a look at yesterday's FT. The same option is worth £230 simply because the share behind it rose almost 3%."

"So... if you'd bought the shares instead of the options, then..."

"Then I'd have earned just under 3%. And this way, 50%. That's what can happen with options. Does that convince you?"

"But... if the shares had fallen?"

"Well, I could never lose more than my premium, the price of my option. But I keep on top of the market. So, if they'd start to fall, I'd sell. Maybe I'd go into put options instead... since they pay off when prices fall."

"I won't risk dampening your enthusiasm."

"You once said to me, 'If you're afraid to risk losing, you'll never win. And now?'

"You're certainly sure of your facts."

"Look, here's a coupon. Send in for the facts yourself. And we can discuss it again sometime."

"Ummm. Well see. Are you ready for another drink?"

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MANAGER INSTITUTIONAL DEPARTMENT: PETER BLUMENTHAL

## NETHERLANDS BANKING IV

### Equities lead heady boom

#### The Bourse

THESE ARE heady days for the Amsterdam Bourse. The boom in equities which began in the latter half of last year has continued virtually unabated ever since, with fresh highs being declared on the ANP-CBS index almost every week. In fact, in March, for the first time in several years, shares outperformed bonds: that pattern has persisted ever since. Bond issues, so sturdy last year, have these days either to offer inflated coupons or—as with recent issues by Philips and KLM—provide an equity link.

State loans, which to a considerable extent determine the pace of the Dutch bond market, have had their ups and downs this year. In January the Government raised in F1 5bn (F1.14bn) on a 7.5 per cent issue in only a week. The next two months, however, with coupons of 7.75 and 8.00 per cent, raised little more than F1.4bn between them and it was left to a glittering 9.5 per cent issue in June to redeem the state's image and bring in the required volume of cash—in this case F1 8.5bn. The Finance Ministry was pleased to have secured enough at last to enable it to stand away from the market for a time but both it and the Central Bank were hoping that 9.5 per cent would mark the year's peak for rates.

Rates for bonds generally flattened out in February and March. Several factors were at work. Long-term investors had placed their money in deposits, which they liquidated and turned over to bonds only over a period of time. Institutional investors were after higher rates while foreigners worried at the time about the West German elections, stayed committed to short-term rates.

In February, rates fell below those of Germany. Then Chancellor Helmut Kohl was confirmed in office and the yield differential was somewhat repaired. Funds began to flow again between the two deeply interlocked economies.

The March realignment of the European Monetary System (EMS), carried out at the insistence of France, was the next significant event for Dutch rates. Against a consistently stated policy, the guilder moved out of line with the Deutsche mark. The Dutch currency was revalued by 3.5 per cent, while

the D-mark went up by a full 5 per cent. The net effect in terms of competitiveness was said by the Ministry to be zero but foreigners were surprised and there was a further shying away from the Dutch bond market.

At home industry and investors alike were short of funds, while a number of foreign holder of guilder notes sold their interests and moved elsewhere. Meanwhile, the Government continued to soak up most of what cash remained available. This latter move had, though, the effect of getting things moving again. Mees & Hope, the merchant bank subsidiary of Algemene Bank Nederland, announced a F1 100m 10-year bond issue at 8.5 per cent, and Fuji, the Japanese convertible, came along with a F1 100m convertible issue at 4.75 per cent semi-annually over 10 years. Further bonds, issued by ABN and Amro among others, held the rate at 9 per cent through the summer.

The Fuji issue was of particular Japanese interest as it was the first-ever Japanese convertible offered on the guilder market. Its parity value was considerable and it was quickly snapped up by guilder-based institutional investors. Fuji had floated the issue to help finance a new production plant it is setting up in Tilburg, in southern Holland, but analysts and investors were speculating on the possibility of other Japanese issues before the year is out.

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The Philips issue, with warrants entitling the holders to purchase 55 Philips shares at 58 guilders each up to July 1988 (the late June price was around F1 55) was, however, the main talking point in the market in recent months. The issue was priced at par but had risen to 104.5 on its first day. Moreover, while each \$1,000 denomination note bears a rate of only 6.75 per cent, interest in acquiring cheap Philips shares were such that there were long queues to purchase.

Earlier in the year a KLM issue, with "A" and "B" warrants attached entitling bearers to the purchase of airline shares, excited great interest. Analysts were agreed, though, that no other such issues would come along in the Netherlands this year. They were wrong. For not alone did investors in the KLM issue reap an early reward through sharply

improved company profits and a rising share price; Philips came along within three months with an even better offer. Philips, whose share price has been moving up steadily throughout the year, could possibly bring in F1 1.2bn with a share-linked issue and should certainly be in a position to carry out its massive development plans with an easy mind.

In 1982 the total cash volume of bond issues came to F1 11.6bn, of which the state took F1 7.5bn. This year, to mid-June, the total was F1 20.5bn, with state loans accounting for F1 17.5bn. Further issues have followed since, including the Philips issue, but although the total has grown considerably, the size of interest in equities has still been far by the greater. What is clear is that equities are supporting bonds. The new issues are attracting. Whereas the yield on bonds last year was substantially higher than on shares, now the position is reversed, and investors have shown themselves ready to move from one to the other in rapid time. Prices on the Amsterdam exchange moved up this year by an average of 25 per cent, and the price-earnings ratio, which in 1982 had been around 4.5, has gone up to between 7 and 8.

Share investors so far this year have either plumped for the so-called Dutch internationals—Royal Dutch, Philips, Akzo, Unilever and Hoogovens—or, abandoning their previous monopoly, have sought out low-priced issues with a potential for improvement.

The ANP-CBS general index climbed to a series of all-time highs throughout the summer, reaching 141.4 on July 27, while on the same day, for the first time in the bourse's history, the internationale index passed the 150 mark. The last period of similar rises was back to 1973, so it can be seen that the climb back to prominence has been long and hard.

Baron van Ittersum, chairman of the Amsterdam exchange, believes that there is an excellent chance the recovery in shares will continue for some time to come. His view is that there has been a much-needed catch-up, leading perhaps to a price plateau, and his hope is that the higher prices trend will extend to the smaller, more locally orientated companies, enabling some of them to move on to the primary market.

The Baron recognises that the trading in Dutch shares by the market place is not yet fully developed.

Overseas investors are not yet scheduled to receive any help from the Dutch revenue authorities, despite the fact that, largely stimulated by foreign demand, the overall liquidity of the Amsterdam market has increased dramatically in recent months. Total turnover in 1982 increased by some 60 per cent and a similar rise in activity characterised the first five months of this year. The turnover in shares, for example, has almost tripled in recent months. The Amsterdam market is booming and the barometer is set fair for some time to come. Little wonder the bulls are baying at the ground.

### Fledgling flies high in upstream

#### Options exchange

WITH THE Dutch equities market booming, Amsterdam's traded options market, the European Options Exchange, is finding itself caught up in the explosion. Returns are being set every month as—unlike the former fledgling of the Bourse, flies free on an updraft of investor euphoria.

Euphoria, as long as it is not accompanied by psychology, is not aisable state. In extremes cases it can be drug-induced.

In the case of the options exchange it seems to have been brought about by a need not so much to force a way out of the economic recession as to act as though there were no recession in the first place. People need to make money even in a slump. Some people need to make fortunes. Thus the options market—closest approach to pure gambling within legitimate specialism—is trading high on self-administered adrenaline. It is investor gazing wits against the market, with the former becoming the latter without the intervention of a strict industrial regulator.

Of course it could happen, as in similar circumstances in the past, that the wish will become the act—with the phenomenon of the self-fulfilling prophecy actually serving to produce reality. Manufacturing industry needs money to rebuild, expand and undertake vital research. That money is being provided by the markets, gone into nervous overdrive in response to the last two moribund years.

Five years ago, when it first began functioning in a converted corn exchange in the centre of Amsterdam, daily turnover was only 700-800 contracts. By mid-June of this year a daily average of 24,860 options—a record—was being traded, with calls accounting for just over two-thirds of business and puts the rest.

In April, just after the one millionth contract for 1983 had been traded, the first which last year took until October to perform—Mr Tjerk Westerterp, director of the exchange, described growth as "explosive". He was right. Since then the two-millionth contract has been concluded and the exchange appears ready to break records at a record rate.

Because overall volume is still quite small—despite the recent surge—the emergence of a single new focus can dramatically alter the profile of a week. Thus the Dutch State Loan in June, at 8.5 per cent, produced nearly 25,000 transactions,

nearly a fifth of the total for the week in question. Philips options, too, have been very much in demand this year, while other Dutch "internationals" together account for a great deal of business done.

The balance between bond options and stock options varies considerably from week to week. Last year, as on the main bourse, bonds were in the ascendant and carried all before them. This year, equities are back. Philips, Royal Dutch and then, some way behind, Akzo and KLM are the big movers.

Against the wishes of the organisers and founders, the Amsterdam options market has not lived up to its name as a European institution. Foreign investors trade on the exchange and some foreign options, notably West German, are traded. But most business transacted is firmly Dutch in character, albeit with an international flavour.

#### Learning ropes

Among the more recent innovations gold and silver options and foreign exchange options have made a slow start. Investors come and go and the markets sometimes perk up. But for many with money to place it is still a matter of learning the ropes. Gold was first traded in 1981 and suffered initially from the slump in world bullion prices. Some 2,000-3,000 contracts per week are now being concluded. With silver, first traded in April of this year, weekly turnover has built up to between 1,000 and 1,500. Currency trading has been sluggish. Dollar and D-mark options have often been stuck in the low hundreds.

This month the exchange is launching its newest option, perhaps the most self-referential yet. Index options will in future be traded so that investors can minimise the risks of holding a Dutch share portfolio. These will be based on the price fluctuations of the 13 Dutch companies quoted on the exchange and will have lives of three, six and twelve months, expiring in April, July and October. According to the exchange, index options could also be used to "game" on the Amsterdam stock market by means of calls and puts relating to expected price movements.

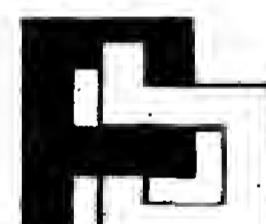
It is a success story the more remarkable for having produced a bumpy ending from very auspicious beginnings. The options exchange has done a Lazarus. For the first three years of its life as a speculative offshoot of the Bourse (not all of whose members had much faith in the project), the

exchange lost money and ended very much at the grace and favour of its owners. Indeed, it was times when the former exchange was a place of tranquillity, a sort of chapel annex to the Bourse, in which a busy speculator could rest awhile and toy with his options as though with his beads.

In 1981 the European Options Exchange turned a profit—only F1 26,000, it is true, all of which had to be paid to the bourse, but a profit nonetheless.

Last year earnings had risen to F1 680,000, and for 1983 a

million guilders at least seems well on the cards. Mr Westerterp commented recently that the exchange was not in business to make a profit on its own account. Even so, income certainly helped its position and prestige. Half of the 1982 earnings only were handed over to the Bourse. The rest was placed in a reserve. A similar transfer could take place with 1983 earnings, and the result could well be an institution secure in its place and with just the wist to see it through any hungry times to come.



**BANQUE PARIBAS**

30 BRANCHES IN THE NETHERLANDS: AMSTERDAM, ROTTERDAM, THE HAGUE, APELDOORN, ARNHEM, BEVERWIJK, BREDA, DORDRECHT, EINDHOVEN, ENSCHEDE, GORINCHEM, HAARLEM, HEERLEN, SHERTOGENBOSCH, HILVERSUM, HULST, MAASTRICHT, NIJMEGEN, ROERMOND, SITTARD, TILBURG, Utrecht, VENLO, WEERT, ZWOLLE.

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## NETHERLANDS BANKING V

## Mood of cautious optimism

## Insurance

THE BUFFETING received by the Dutch insurance industry as the recession took hold last year has eased off considerably in 1983. Most of the five large quoted concerns suffered a fall in profits in 1982 and one of them, Amfas, slipped into such heavy losses that it had to drop its final dividend.

Since then non-life insurance has in a number of instances turned around, while the buoyant life sector has continued to move steadily ahead. Earnings everywhere are up and there is cautious optimism about the position as a whole.

The increase in life premium volume follows a trend established in the last few years. Possibly because of pressures on the Dutch social security system, there has been a surge in sales of private pension and annuity schemes. Individuals appear to be responding to threats of state cut-backs by taking an extra provision on their own account, a move that is effectively encouraged by the state through financial concessions allowing premiums of up to £15,000 (£3,400) a year to be set against personal tax liability.

The effect of this rise in demand varies from company to company, depending on the relative size of the life sector in their overall business. As a rough rule of thumb, industry revenue — premiums plus investment income — is split approximately half and half between life and non-life business. But Nationale-Nederlanden, for example, with a disproportionately large life sector, was able to raise pre-tax profits by 3.1 per cent last year in spite of a 5.4 per cent drop in non-life profits. Its premium income from life business rose by 21 per cent

to F1 4.1bn (£930m), taking profits up by 15 per cent to F1 323m (£73m) in this sector.

By contrast, the steep climb in life profits at Amfas in 1982 was completely wiped out by losses in the rest of the group, in particular from its marine underwriting. This operation, established in London only six years ago, went the way of the rest of this diversified sector last year, while its property portfolio has had to be shaved to a F1 75m (£17m) provision against past and prospective

minimum volume, investment returns rose by more than 30 per cent for the industry last year.

This performance has clearly provided an additional profits cushion beyond that deriving from life business. But Dutch companies also benefit in their non-life activities from more modest pay-out claims than are common in most other Western countries. The claims ratio, net claims less reinsurance, as a percentage of net earned premiums — stood last year at an average of around 73 per cent for the big companies, with Amfas heading the list at around 76 per cent and Amev, which increased its net profits by 9 per cent last year to F1 17.4m (£40m), down at 62 per cent.

This figure is about 12 per cent lower than, for example, the industry was achieving in the U.S. last year. Indeed, unlike most British and U.S. insurance groups during the recession, the Dutch companies are all on the verge of profitability on their underwriting alone — they have not had to rely solely on investment income to keep their heads above the profits waterline as have so many foreign companies.

To achieve this result, the Dutch industry has also had to control its administration and commission costs, which are running at an average of around 25 per cent of net premiums.

Again, this is a relatively conservative figure by international standards and it means that the combined claims and costs ratio for most Dutch companies is very close to the 100 per cent needed to break even on underwriting. Nationale-Nederlanden, for instance, was slightly below the break-even point last year, Amfas is above — but this compares with combined ratios of up to 115 per cent in the U.S. where both costs and claims tend to be higher.

The picture for the first half of this year is rosier. Nationale-Nederlanden earnings moved up by 7.7 per cent to F1 197m; Amex advanced by 8.7 per cent to F1 61m; Ennia by 7 per cent to F1 56m; AGO by no less than 40 per cent to F1 15m, and Amfas achieved a net result of F1 8m and set aside its losses of 1982. Not surprisingly, Amfas did not declare an interim dividend.

One of the main threats to the Dutch industry at present is coming from the steady increase in the claims ratio, a common phenomenon in recession-hit economies as individual life companies alike take a less relaxed attitude to insured losses.

## Expansion

The Dutch have themselves responded to competition by expanding overseas — indeed the local market is so mature that it leaves little room for expansion. Over the last five years there has been a significant move into the U.S. and Australia by several of the bigger companies.

The current buoyancy of investment returns also suggests that there is little prospect of a serious reduction in competitive forces in the foreseeable future. Established companies will remain under pressure from newcomers attracted by the strong cash flow from premium income and the opportunities for earning a return on it.

Nevertheless, the big Dutch groups are currently stepping up their efforts to push through premium increases in sensitive sectors like motor insurance and their shares have responded on the Amsterdam Stock Exchange by picking up steadily in recent weeks. With dividends typically covered two or three times by earnings last year, there are reasonable prospects for growth.

Terry Dodsworth

## Welcome news for industry

## Taxation

THE PROPOSAL by Mr Herman Ruding, the Dutch Finance Minister, to cut the rate of corporation tax in the Netherlands from the present rate of 48 per cent to 44 per cent next year and 40 per cent in 1985 is possibly the most encouraging single piece of domestic news the country's industry has had since the recession took hold nearly three years ago.

Manufacturing industry in particular needs a boost. Gross investment in fixed assets fell by 3 per cent in volume terms in the first quarter of this year compared with the corresponding period in 1982. This followed

a further 3 per cent decrease in 1982 as a whole, which took investment down to its lowest level since 1968.

A survey of all manufacturing companies employing 10 or more workers, published in late July, did indicate a 9 per cent improvement this year but nearly all of this projected recovery is accounted for by the oil, chemicals and food processing sectors.

Overall, the engineering sector appears set for a 7 per cent decline, with spending in new construction stagnant. In 1982 both these latter sectors dropped 9 per cent.

The planned cuts in company tax — confirmed this month by Mr Ruding in the run-up to next week's 1984 budget announcement — would release billions of guilders of potential investment funds and so enable manufac-

turers to gear up for the promised world economic recovery by means other than simply cutting back and restructuring. They could also mean the difference between life and death for many companies, for while bankruptcies this year have fallen back from the record figures prevailing in the spring and early summer they are still dangerously high and adding daily to unemployment.

A parallel move aimed at releasing hardened cash to industry is the increase from 2.25 per cent to 4 per cent of the capital/assets inventory deducted from pre-tax costs. This is designed to help those companies with earnings above the F1 50,000 level and, it is hoped, to reduce the government borrowing required to do so, as this would have conflicted with income policies. Nor has taxation been seriously considered as a means of stimulating the economy, given the worsening budget position.

No longer. Ever since the Christian Democrats and Liberals formed their Centre-Right coalition last November, the intention has been to concentrate on the creation of wealth and the use of money to rebuild industrial muscle. The tax weapon, in effect, has been appropriated by the other side.

## Strategy

Mr Ruding's range of tax proposals was unveiled last month and agreed within the coalition Cabinet two weeks ago. His strategy is based on raising the revenue from taxation itself while cutting the level of social security premiums to both employers and employees. The total burden would be eased. The Minister has put forward a series of tax rises that would on a cost basis yield F1 3.8bn more to the Exchequer in 1984 than will have been achieved this year and, on a one-year basis, F1 4.5bn.

The standard 15 per cent rate of VAT will remain as it is but the low and high rates will each rise 1 per cent. Alcohol and tobacco duties will go up as will the state's take from increased gas prices. A "temporary" measure introduced this year, adding 1 per cent to the tax bills of higher income groups is to be extended. The controversial proposal to tax as individuals who are working will go through, yielding between F1 300m and F1 500m in a year.

The last measure has caused much resentment up and down the country and is seen by many as an erosion of state support for marriage as an institution. It will at the same time add some 550 staff to the payroll of the tax authorities at a time when there is a drive to reduce the numbers of civil servants.

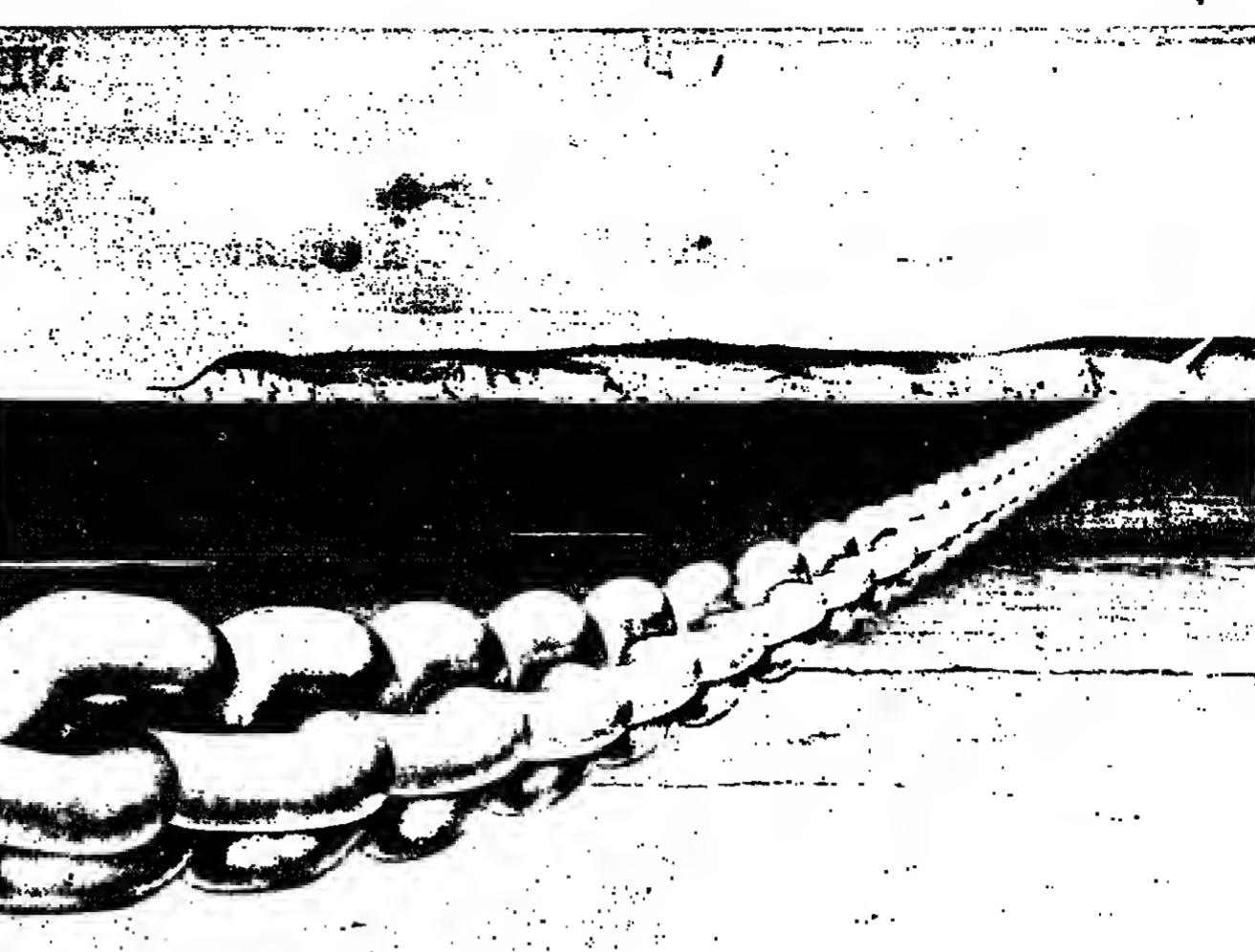
Defending his planned measures in advance of their formal introduction in Parliament, Mr Lubbers said this month that F1 2.3bn of his intended increases were made possible by the fact that social security payments by employers and employees are to be reduced. Governments, it would seem, like nature, abhor a vacuum.

So far Mr Ruding's strategy falls far short of the revolution the Government once had in mind. That, though, is the invariable experience of office.

What is clear is that old emphases have been discarded and new ones taken on board. Taxation is no longer seen as it can be in a prosperous society with high economic expectations — as essentially a tool of social reconditioning.

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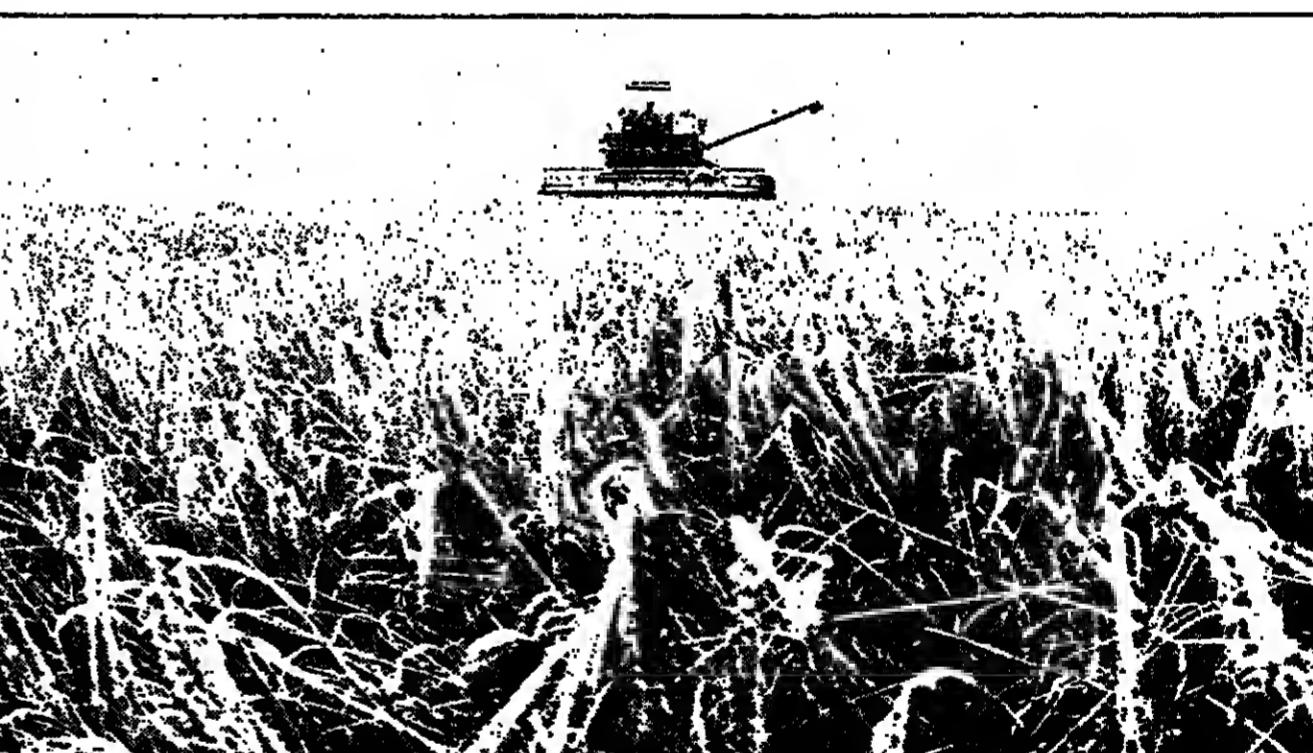
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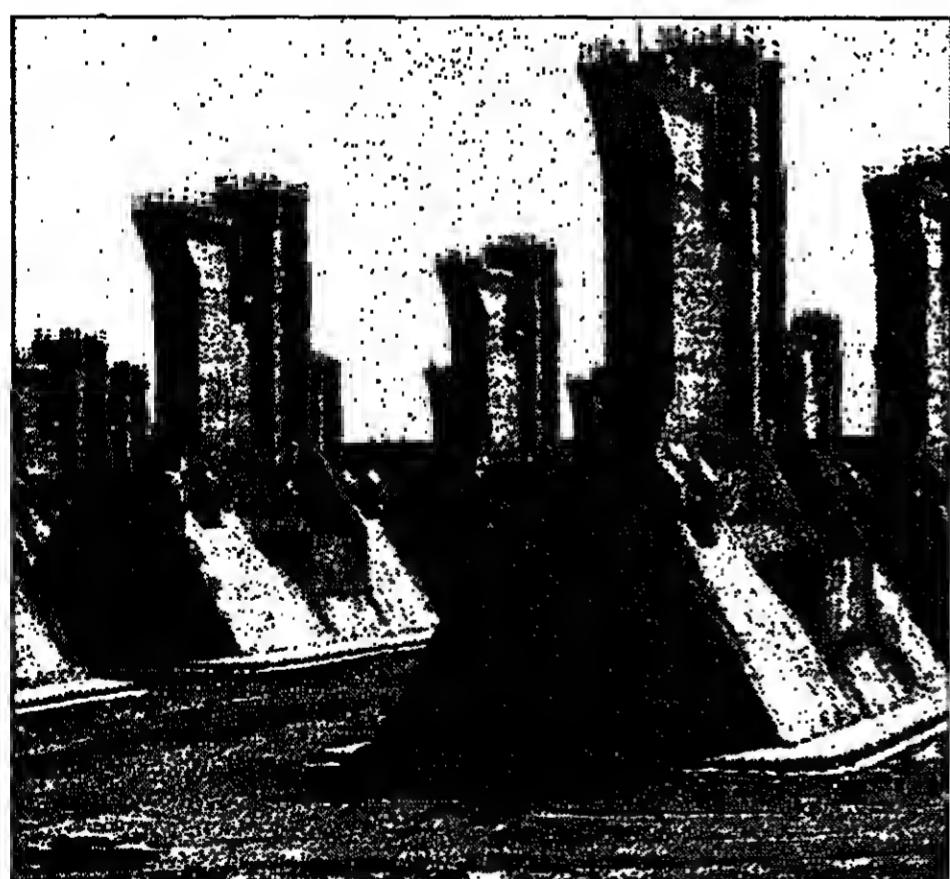
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we have arrived at the threshold of a general recovery in the economy," it said. This comment made one month ago when the Dutch domestic economy is showing only the most hesitant and tentative signs of picking up, is a reflection of Robeco's truly international scope. The U.S. continues to be the group's main focal area, with Japan and, to an increasing extent, the Far East in general, the other key sectors of concentration.

Within Holland, Robeco actually reduced its holdings slightly in Philips, Royal Dutch and Unilever — though, reportedly, at "attractive" prices. No interests were bought or sold on nearly all European exchanges. Instead, a few new names appeared in the Japanese, Hong Kong and Singapore portfolios.

### Mild policy

In America, with Wall Street powering ahead, Robeco this year adopted a mild policy of profit-taking. Holdings in a number of sectors showing sharp increases — steel, chemicals, technology, public utilities, consumer durables — were reduced and there was a cut too in the number of shares retained in oil companies. Dollar interests, which were hedged for 50 per cent, were by mid-August covered entirely against currency risks.

At the heart of Dutch investment funds is of course the Robeco group, incorporating, as well as Robeco itself, Rilomic, Rovento and Rodamco. In the first six months of this year Robeco's share price rose by 20 per cent in sterling terms. Taking into account a cash dividend of Fl 18 per share paid in April, the increase worked out at 26 per cent. Moreover, the Rotterdam-based trust said its share price, rising in recent months as a sign of confidence in economic recovery and improving business results.

"It is becoming clearer all the time that the low point of the recession is past and that

### PROFILE: Roelof Nelissen

## At the centre of events

**ROELOF NELISSEN**, chairman of Amsterdam-Rotterdam Bank (Amro) since last June, does not suffer from false modesty. He has always relished being at the centre of events.

In 1956, after taking his degree at the University of Nijmegen, he joined the staff of a pension fund in Amsterdam. Almost at the same

time he became actively engaged in the affairs of the Catholic Employers' Federation and by 1963 — already prominent as an organisation — was offered a seat in Parliament by the Catholic wing of the still nascent Christian Democrat Party. Soon he was on the executive.

Seven years of "unspoken comment" followed until in 1970, at the age of 39, he was appointed Minister for Economic Affairs in the centre-right Cabinet of Prime Minister Piet de Jong. A year later he was promoted to the job of Finance Minister and Deputy Premier in the unsteady administration of Mr Barend Biesheuvel. When this was toppled, giving way to a Labour-led coalition in 1973, Mr Nelissen's own fall was broken by an offer to join the board of Amro. He has no regrets.

Along the road he has picked up no fewer than eight directorships, including Ahoy and Schiphol Airport, and served on seven advisory bodies. He is a Commander of the Order of Orange-Nassau and holder of the Grand Cross of the Royal Order of Belgium.

Mr Nelissen's father had been a prominent local politician in the south Flanders area and membership of the Catholic wing of the Christian Democrats came naturally to him. "There was no other choice." When he was asked by the party to take up a "qualiteitszetel" (safe seat) by occupying 12th position on the national list, he accepted "on the condition that not too much lobbying was involved." This was agreed.

### Crises

In 1963, he says, membership of Parliament was not a full-time job and the then salary of Fl 5,000 a year was only "pocket money." He had been appointed secretary-general of the Catholic Employers' Federation 12 months before and carried on in this work, promoting mainly the interests of small businesses, from an office close-by Parliament buildings in The Hague.

There was also time for contributions to the Social and Economic Council (SER), one of the Netherlands' most influential advisory commissions, and to the Dutch Labour Foundation.

In 1967, however, the Dutch Government was embroiled in one of its interminable crises. Cabinet rows and fell with alacrity in the 1960s and Mr Nelissen was one of those who sought to unify the Centre-Right and restore some stability to politics. Suddenly it was a full-time occupation and in 1969 he quit the federation and enjoyed what he now describes as his "happiest year." Politics was hectic but there was still time to buy a piece of land and build a new home for his wife, three sons and daughter.

His appointment as Economics Minister in 1970 came, he recalls, as quite a surprise. "The longer I was an MP the more I enjoyed it." Dutch Ministers have to leave Parlia-

## NETHERLANDS BANKING VI

# Profits up with bright future ahead

### Investment funds

property, issued 2m shares between August 1982 and last month, an increase by 40 per cent, while assets had increased by around Fl 1m. Rovento, the bonds fund, increased its net assets by 10 per cent in the three months to May to Fl 4.7m, with much of the rise being attributable to the floating of an additional 1.8m shares. Rovenco, which deals in equity growth, saw the price of its own shares go up from £44 to £50.75 on the London Stock Exchange during the six months to the end of February and the rise has continued since.

Rovenco noted as a positive factor in its growth the decline in interest rates and the cutting of rates of expenditure in many countries. The U.S. and Japan were responsible for a good part of the improvement but there was also a strong contribution by the Dutch equities market.

The Robeco group is something of a national institution in the Netherlands. As the strongest investment fund outside the U.S., it has at the same time attracted a dazzling cast of personalities to act as advisers. In this, its 50th year, it has acting for it Mr Robert McNamara, the former American Defence Secretary and ex-chairman of the World Bank; Alain Simone Veil, until last year president of the European Parliament; Dr Saburo Okita, a recent Japanese Foreign Minister; Dr Guido Carli, ex-Governor of the Bank of Italy; and Dr Jelle Zijlstra, a long-serving former head of the Nederlandse Bank.

Other Dutch funds are also doing well. Last year in fact the most impressive investment result was achieved by one of the smaller institutions, Emeralda, which recorded a

growth of 20 per cent over 1982 and a 150 per cent improvement in the five years since 1977.

Second came Rilomic, with 9.8 per cent and 11.4 per cent, then Robeco (16.5 and 6.9), Obam (18.4, 8.9), ABN Pelem (19.7, 8.2), Belf Fonds (20.8, 7.5), Bemco (9.1, 6.5), ABN Pool (16.6, 6.4), Algemene Fondsen Beft (19.2, 5.2) and ABN Aandelenfonds (14.2, 5.0).

Emeralda's impressive growth has continued since January. At the beginning of the year funds assets stood at Fl 40.8m. By the end of June the figure had risen to Fl 65.3m — leading to a first-half investment result up 15 per cent. The fund's managers emphasised to investors that its primary purpose was the maintenance of the purchasing power of assets and said that their own approach to investment problems remained essentially conservative.

A recent report from Bemco expresses concern about the international debt crisis and sees problems ahead in the key inflation and interest rate fields. Naturally the drop in interest rates and the (general) decline in inflation over the past 12 months have had their effect on the latter, and future growth will continue to depend on how the U.S. Federal Reserve and other central banks can maintain stability and discipline the markets.

Bemco stuck around that value as Wall Street to continue to surge ahead during the remainder of this year but is less certain of the development of rates.

Meanwhile, the biggest Dutch pension fund of all, the Algemene Burgerlijks Pensioenfond, with total assets worth a staggering Fl 100bn, ran into trouble in the late summer as it emerged that its property division was under investigation by the Government. There have been allegations of bribery, blackmail and extortion at levels of profit — all denied — and the head of the board of investors has been forced to step down while a police investigation is carried out.

For the Dutch property circuit as a whole, the affair is deeply troubling, with suggestions that property sales at the top level must always be high-pressure, legally somewhat dubious, affairs. There have been many expressions of concern in Parliament and outside and the various investigations into what has taken place at ABP may yet have long-term consequences for the sector as a whole.

But once again profits are up. Wereldhavens' first-half result was 20 per cent up and the forecast for 1983 as a whole is excellent. Those witnessing a distinct fattening of their assets in these straitened times are unlikely to complain.

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## SECTION II - COMPANIES AND MARKETS

# FINANCIAL TIMES

Tuesday September 13 1983



### Stockholm market's first outsider

By Kevin Done in Stockholm  
NORSK HYDRO, Norway's largest industrial corporation, is to become the first foreign company to be listed on the Stockholm stock market with the sale of shares worth Skr 55m (\$7.35m) to Swedish investors.

Swedish regulations make it difficult for shares in foreign companies to be sold in Sweden, but the growth of the Stockholm stock market and the growing internationalization of Swedish business are increasing the attractions for Nordic companies of having their shares traded in Sweden.

In other Nordic companies whose shares are already traded in Stockholm are Norsk Data, of Norway, and Kone, Wartsila and Nokia, from Finland.

Norsk Hydro, which last year had sales of Nkr 20.6bn (\$2.76bn) and profits before year-end adjustments of Nkr 1.35bn is already quoted on stock markets in the UK, Switzerland, France and West Germany, as well as in Oslo. It is 51 per cent-owned by the Norwegian state.

The company is selling 100,000 ordinary shares in Stockholm at Skr 380 per share through Scandinavika Enskilda Banken. It is not making a new share issue as such but is selling existing shares that have been bought on its behalf during recent months by the Norwegian bank, Den Norske Creditbank.

The shares have been bought up in international markets chiefly from Swiss and West German investors.

The shares are expected to trade at a considerable premium in Sweden and they will be among the few foreign shares exempt from Swedish currency regulations for Swedish investors.

### Bank opposes Braniff scheme

By Our Financial Staff

BANK OF NEW YORK, parent of the 16th largest bank in the U.S., has appealed against a U.S. bankruptcy court's approval of a reorganisation plan by Braniff International, the U.S. airline which filed for Chapter 11 protection in May 1982.

The filing on behalf of a group of Braniff International creditors, delays completion of the plan which would have taken place yesterday. The bank has 10 days in which to detail its reasons for appealing.

The bank has opposed the plan mainly on the grounds that possible voting irregularities may have changed the outcome of the vote by debenture holders. Braniff lawyers said they did not expect the appeal to disrupt the airline's plans to resume operations early next year.

### Saga awaits consent to sell chemicals unit to state group

By FAYE GJESTER IN OSLO

SAGA PETROLEUM, Norway's independent oil company, yesterday announced that it was selling its loss-making petrochemicals offshoot, Saga Petrokemi (SPK), to Statoil, the state-owned petroleum group, for Nkr 621m (\$83.3m). Subject to government approval, Statoil will take over SPK from January 1 1984, and the purchase price will be paid a year later.

SPK, which partners Statoil and Norsk Hydro in owning and operating the Kufnes Petrochemicals complex in Eastern Norway, was originally owned jointly by Saga (56 per cent) and three Norwegian industrial companies, Hafslund, Dyno and Aardal og Sunndal Verk (ASV). They gave their stakes to Saga for nothing in January, 1982, rather than invest more money in the enterprise.

From next year, therefore, the Raftes complex will be owned only by Statoil and Norsk Hydro. The agreement with Statoil, which has been under negotiation

for months, marks another step towards the solution of Saga's cash problems and should make it easier for the company to raise the large loan it has been seeking on the international capital market.

Saga needs to borrow money now to service old debts and to cover its share of costs in big Norwegian offshore projects such as Gullfaks, Oseberg, Troll and the Statpipe gas-gathering scheme.

It has stakes in many valuable concessions on Norway's shelf, but virtually its only source of income at present is its 1.6 per cent share of production from the Anglo-Norwegian Statoil field.

The sale of SPK, ridding Saga of a loss-making operation, will enable it to concentrate its financial and administrative resources on its activity offshore. The price Statoil has agreed to pay corresponds roughly both to SPK's accumulated debt and to Saga's book valuation of its stake in Raftes.

### Rival bid sparks rise in Northwest shares

By WILLIAM HALL IN NEW YORK

SHARES of Northwest Energy, the Salt Lake City-based natural gas pipeline group, jumped sharply yesterday after the announcement of a rival bid worth \$820m from the Tulsa-based Williams Companies.

The bid, worth \$38 a share, comes just over a month after Northwest Energy agreed to a \$31 a share cash offer from an investor group headed by Allen and Company, the New York investment banking group. The earlier bid, which was being structured as a leveraged buy-out in which members of Northwest Energy's senior management would participate, was conditional on financing being arranged.

The stipulation has been attacked by several shareholders and several lawsuits have been filed against the company to block the leveraged buy-out by Allen and Company. The Williams offer depends on the company's being terminated or declared invalid and Northwest's being restrained from selling the pipeline's shares.

This enables a company to seek protection from creditors while it tries to work out a recovery plan.

Creusot-Loire's steel assets in France include the Imphy company, which wants to shed all its loss-making steel operations, has already begun its restructuring programme with the decision of its U.S. Phoenix Steel subsidiary to file under chapter 11 of the U.S. bankruptcy regulations.

Mr Laurent Fabius, the French Industry Minister, has said he will decide on the Creusot-Loire case by Thursday. However, Creusot-Loire, which wants to shed all its loss-making steel operations, has already begun its restructuring programme with the decision of its U.S. Phoenix Steel subsidiary to file under chapter 11 of the U.S. bankruptcy regulations.

Creusot-Loire has also been negotiating with Compagnie Générale d'Électricité (CGE), the nationalised electrical and communications company currently engaged in separate, complex talks with Thomson-Brandt, the other large, French-nationalised electronics group, on the possible sale to CGE of part of the engineering company's 70 per cent stake in Framatome.

Creusot-Loire is considering selling 35 per cent of its Framatome stake to Alsthom-Alstalique, the nuclear engineering subsidiary of CGE. Such a sale is believed to be worrying the French nuclear agency (CEA), which owns 30 per cent of Framatome, and Électricité de France (EDF) the French electric utility.

Wessanen expects earnings for 1983 as a whole to be higher than the F1 26m recorded last year.

Dekker could provide cash and ideas

### Philips chief in the hunt for a German prize

By WALTER ELLIS IN AMSTERDAM



Dr. Wisse Dekker

headquarters in Eindhoven that it stands positively behind the sentiments expressed. No approach has yet been made to the German Bundeskartellamt (BKA), whose permission is required for any significant change in the pattern of shareholding in a major company. But a case is being prepared, based on the desire of both sides to work together.

Earlier this year, in March, Philips effectively prevented Thomson-Brandt, the French state-owned electronics group, from taking over Grundig by refusing to sell its own 24.5 per cent holding. The BKA ruled simultaneously, however, that it was against the idea of Grundig becoming part of a near monopoly

of the European electronics industry, so that its approval of any increase in Philips' holding is far from guaranteed.

Dr. Grundig said in Berlin that the first step, to the 25.5 per cent level, would probably take place next year. He gave no estimate for phase two, and nor has Philips. The Dutch group will have achieved a large part of its goal by simply ensuring the maintenance of the status quo. The Thomson-Brandt could not yet be ruled out of the race.

By manufacturing its V2000 range, Grundig is an important partner for Philips. It is also a long-standing buyer of electronic components from the Dutch group for its consumer products and, overall, a reliable associate in a key market. Its eventual acquisition would strengthen Philips in Germany and ensure continuing cross-border co-operation in the video and other fields.

Grundig's trouble in recent years is that it has not spent the required amount of time and money in research and development. It is too traditional a company and remains geared up for the 1970s rather than for the 1980s and beyond.

Philips was perhaps surprised by Dr. Grundig's causal announcement of its plans but has said from its

### Decision on French steel deal due today

By Paul Bettis in Paris

THE BOARD of Creusot-Loire, the large French engineering company controlled by the private Empain-Schneider group, meets today to finalise a major restructuring of its operations and assets.

This is expected to involve the sale of most of the engineering company's French steel assets to one or both of the two nationalised French steel groups, Usinor and Sacilor.

Another aspect of the restructuring involves the possible sale by the engineering concern of part of its 70 per cent stake in Framatome, the leading French nuclear reactor manufacturer.

Creusot-Loire has been seeking help from the French Government since early summer to bail it out of its current financial difficulties. The engineering company lost FFr 670m (\$83.15m) last year and has agreed to pay correspondingly roughly both to SPK's accumulated debt and to Saga's book valuation of its stake in Raftes.

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Creusot-Loire has been seeking help from

## Companies and Markets

## INTL. COMPANIES &amp; FINANCE

This announcement appears as a matter of record only



## AGRICULTURAL MARKETING AUTHORITY OF ZIMBABWE

\$18,000,000

Revolving Acceptance Credit

Guaranteed by  
The Republic of ZimbabweArranged by the  
Grindlays Bank GroupProvided by  
The Chase Manhattan Bank, N.A.  
The First National Bank of Boston  
Grindlays Bank p.l.c.  
Lloyds Bank International Limited  
Manufacturers Hanover Trust Company  
Standard Chartered Bank p.l.c.Agent  
Grindlays Bank Group

June 1983

All of these securities have been sold. This announcement appears as a matter of record only.

NEW ISSUE

September 1983

TRIANGLE  
INDUSTRIES, INC.

90,000 Units

\$90,000,000 11½% Subordinated Debentures Due 2003  
(Interest Payable March 1 and September 1)

and

Warrants to Purchase 1,080,000 Shares of Common Stock

Each Unit consists of \$1,000 principal amount of Subordinated Debentures and Warrants to purchase 12 shares of Common Stock. The Debentures and Warrants will be separately transferable as more fully described in the Prospectus.

L. F. ROTHSCHILD, UNTERBERG, TOWBIN

The Morgan Bank office in Milan will be located, effective September 19, 1983, at Corso Venezia 54, 20121 Milan Telephone 77441, Telex 334241

In Rome: Via Abruzzi 2, 00187 Rome

Morgan Guaranty Trust Company of New York

## Police raid shakes Carrian creditors

BY ROBERT COTTRELL IN HONG KONG

THE fate of Hong Kong's Carrian group hangs in the balance as local police continue a search of the group's headquarters following unspecified allegations of fraud.

The police search, which began on Saturday, comes just as bankers are being asked finally to approve a reconstruction of the Carrian group's attributable debts, estimated to total US\$700m. If bankers fail to back the debt reconstruction, Carrian could become Hong Kong's biggest bankruptcy.

A deadline for responses had been set at 6 pm local time yesterday, exceeding an earlier deadline of Friday last week. An executive of Hambro Pacific, the merchant banking adviser to the publicly-listed Carrian Investments, said yesterday that he could make no comment on whether the debt reconstruction scheme would go ahead.

Banking sources suggest that

while most creditors are supporting the bail-out packages for Carrian Investments and its unquoted parent company Carrian Holdings, a significant minority of bankers still refuse to be implicated and were unlikely to be impressed by the weekend police swoop. "It hasn't been torpedoed," said one banker of the rescue bid yesterday, "but tracer bullets are being fired."

Hong Kong's police are making little comment on the object of their search but seem to be concentrating on documents located in managerial offices on the 24th floor of the Carrian Centre, in Wan Chai District on Hong Kong Island.

No arrests have been made but police say they are acting on receipt of allegations of fraud. While refusing to give any further details, police sources say the investigation is independent of both the probe into Carrian being conducted by

Banking sources suggest that

Hong Kong's Securities Commission, and a police investigation into the death of a local Malaysian banker, Mr Jalil Ibrahim.

One suggestion current in banking circles is that full details may not yet be known of Carrian's financial relationship with Bumiputra Malaysia Finance, the Hong Kong arm of Malaysia's state-owned Bank Bumiputra. While BMF is known to be a heavy lender to Carrian, and to other troubled companies in the Colony, Malaysian government officials have so far sought to play down the extent of BMF's difficulties.

Bankers also note that the police swoop on Carrian is not the only hurdle to a settlement of the group's financial problems. Official clearance is still being awaited for the sale of Carrian's insurance company,

China Underwriters, to Malaysian interests. Carrian's debt reconstruction is also contingent on that deal going through.

The main thrust of the debt reconstruction plan is that bankers to Carrian Investments should write down their loans in exchange for a new issue of preference shares. Carrian Holdings should simply defer interest and principal repayments. Carrian Investments is a diversified property company. Carrian Holdings' major asset is a stake in Carrian Investments.

Nobody knows who ultimately owns Carrian, though it appears increasingly probable that the group is largely the creation of Mr George Tan, its chairman. Reports from Singapore say Mr Tan may lose his Singapore citizenship by virtue of his recent acquisition of a Paraguayan passport.

## Partners in Cooper Basin win price rise

By Michael Thompson-Neal in Sydney

PARTNERS IN Australia's \$1.2bn (US\$1.06bn) Cooper Basin natural gas and liquids project have won a 45 per cent increase in the price paid by New South Wales for gas supplies.

This follows a 79 per cent increase in prices paid by South Australia, announced last September, when the producers agreed to expenditure of at least A\$25m on an accelerated gas expansion programme over a three-year period.

The Cooper Basin partners are starting to reap the benefits of the liquid scheme, which became onstream last January. Last week, Santos, the major producer and operator, reported a 95 per cent increase in first half net profit to A\$18.5m. Its partners include CSR, Crusader Oil, Vangas and Bridge Oil.

Australian oil and gas stocks continued to show sharp price gains yesterday, the oil and gas index rising a further 16.9 points to 789.1 on the strength of recent oil discoveries.

The Australia and New Zealand Banking Group said it will include a two-for-one share alternative in its offer for Development Finance Corporation (DFC) in addition to the previously announced A\$11 cash per share. Reuter reports from Melbourne.

At ANZ's current market price of A\$5.28 the alternative is worth A\$10.58 for each of DFC's issued capital of A\$8.35m shares.

ANZ said the share alternative was made at the insistence of institutional holders of DFC who would have faced tax disadvantages had they taken the cash offer.

## Marubeni omits interim dividend

BY YOKO SHIBAYA IN TOKYO

MARUBENI, one of Japan's major trading companies, vying with Nippon for third position in the sector, has announced that it will not pay an interim dividend for the half year to end-September because of a sharp fall in pre-tax profits for the period from Y10bn to Y8bn (Y24.5m).

With a 50 per cent fall in sales of seamless pipes in the U.S. steel sector turnover fell by 20 per cent in the half year. The company also suffered an increased depreciation burden caused by bad debts relating to the failing Yutani Heavy Industries.

In the year ended March 1983 depreciation costs related to bad debts at the company's affiliates, Nagoya Pulp and Kobe Sugar, increased by 2.2 fold to Y47.5bn. The company

offset this by selling securities and tapping internal reserves as well as overseas investment loss reserve account.

As a result, the company had to cut its year-end dividend by 20 per cent for the first time in 21 years.

Marubeni also had to sell securities in the current half but expects a recovery in sales and profits in the second half as a result of an upturn in the world economy. The company hopes to pay a year-end dividend of Y5 per share.

● KUBOTA, Japan's leading manufacturer of farm equipment and industrial pipes and machinery has reported a 40.6 per cent setback to Y1.77bn (Y7.24m) in consolidated net profits for the first quarter ended July 15, 1983 on sales

down by 3.7 per cent to Y11.4bn. Net income per ADR (20 shares) for the first quarter was Y25, compared with Y45 in the previous year.

Sales of farm and industrial equipment rose by 1.7 per cent in the quarter to account for 41.4 per cent of the total. Sales of pipes fell by 6.3 per cent to account for 30.8 per cent and sales of industrial castings and machinery were down by 16.2 per cent to account for 15.2 per cent.

Sales of building materials and housing rose by 5.5 per cent to account for 11.6 per cent of turnover and exports improved by 5 per cent to account for 23.7 per cent.

The company attributed the sharp setbacks in earnings to slower sales and intensified competition.

## INTERNATIONAL APPOINTMENTS

## Marketing post at Mobil

● Mr Joe E. Hinton, has been named vice president and general manager of U.S. marketing for MOBIL OIL CORP. from October 15. He is executive vice president, property development and distribution for Montgomery Ward and Co. which, like Mobil Oil, is a Mobil Corp. subsidiary. In the oil marketing post, he succeeds Mr Robert L. Abbot,

who is retiring after 35 years with Mobil.

● Mr Jack W. Schuler has been promoted to group vice president of ABBOTT LABORATORIES. Mr Schuler will have responsibility for the company's diagnostics, pharmaceuticals and chemical and agricultural products operations. He has most recently been president of the Abbott diagnostic division. Mr David A. Thompson succeeds Mr Schuler as president of the Abbott diagnostics division. Mr Thompson, corporate vice president, personnel, Mr O. Ralph Edwards, Jr., divisional vice president, corporate personnel, assumes responsibility for personnel and will be

posed for election by the board as corporate vice president.

● At the next general meeting of ROLINCO and subsequently at those of Robeco, Rorento and Rodamco, a proposal will be made to split Dr J. Zijlstra a supervisory director of these investment trust companies. From 1964 to 1977, Dr Zijlstra was chairman of the Netherlands. On May 1, 1977, he was appointed president of De Nederlandsche Bank, the central bank of the Netherlands. He continued in this function until January 1, 1982. During this period, Dr Zijlstra also acted as president of the Bank of International Settlements.

● BRITISH AMERICAN COSMETICS has appointed Miss Vera Straub president and chief operating officer of Germaine Monteil Europe. Mr Eli Clyne remains chief executive officer and becomes chairman of the board. Mr Eric Morgan, Miss Straub takes over from Mr Clyne as president director general of BAC's holding company in France, "CFPD."

● Mr N. B. Aspasia, general manager, Commonwealth Development Bank of Australia, has been appointed deputy managing director, COMMONWEALTH BANKING CORP. He succeeds Mr S. P. Kelly who retires on September 15. Mr J. W. Fletcher has been appointed general manager, Commonwealth Development Bank of Australia. He previously held the position of assistant general manager and chief manager international, Commonwealth Trading Bank of Australia. Mr G. C. Johnson, deputy chief manager international, Commonwealth Trading Bank of Australia has been appointed assistant general manager in succession to Mr Fletcher. Mr R. G. E. Robertson, deputy chief manager, Commonwealth Trading Bank of Australia, London is to succeed Mr Johnson as deputy chief manager international.

● RENISON GOLDFIELDS CONSOLIDATED has appointed Mr C. N. Davison executive director-technical.

● BATIS INC. has appointed Mr Henry F. Frigon its president. He will assume the duties relinquished by Mr C. J. McCarty, who will remain chairman and chief executive officer. Batis is a holding and management company unit of BAT Industries.

● THE MARCONI CO. has appointed Mr Ian R. Sutherland chairman of the board of Marconi Electronics Inc. in the U.S. He will be based at MEI's Washington office.

● Mr Larry Gallet, vice-president and chief financial officer of ATLANTIC DESIGN CO. He succeeds Mr Max Schachter, who has been president for 32 years and remains with the company as chairman and chief executive officer.

## Jardine Matheson (Finance) Limited

HK\$1,000,000,000 9½% Guaranteed Unsecured Loan Stock 1984/95

Notice is hereby given that the Register of Holders of the 9½% Guaranteed Unsecured Loan Stock 1984/95 ("Loan Stock") will be closed from 1st October to 15th October, 1983 (both dates, inclusive) to establish the identity of those loan stockholders entitled to the half-yearly interest payments payable on 15th October, 1983.

In order to qualify for the interest payment all transfers, accompanied by the relevant loan stock certificates, must be lodged with the Company's Registrars, Central Registration Hong Kong Limited, not later than 4.00 p.m. on 30th September, 1983.

Jardine Matheson (Finance) Limited  
Jardine, Matheson & Co., Limited  
Secretaries

Hong Kong, 6th September, 1983.

## AUSTRALIA

THE MINING AND OIL REVIEW, THE AUSTRALIAN NEWS AND BUSINESS WEEKLY FOR AUSTRALIAN BUSINESSES NOW AVAILABLE IN GREAT BRITAIN. Ask for your FREE COPY of the first September issue now.

AUSTRALIA NEWS & INVEST

CH 8117 Postfach/Switzerland

THE PHILIPPINE INVESTMENT COMPANY S.A.

Net Asset Value as of August 31st, 1983  
U.S.\$4.15

Listed Luxembourg Stock Exchange

Agents:

Bank of Luxembourg

Investment Bankers:

Menle Pacific Securities, SA

STOCKHOLDERS FAR EAST INVESTMENTS INC.

Net Asset Value

31st August 1983

\$2.39

per share (unaudited)

ENERGY RESOURCES &

SERVICES INCORPORATED

Net Asset Value

31st August 1983

\$8.57

per share (unaudited)

## The Distillers Company, Limited (a Delaware Corporation)

has acquired the assets and business of

## Concannon Winery Corporation and Concannon Vineyards Corporation

The undersigned acted as financial advisor to The Distillers Company, Limited and assisted in negotiating and structuring this transaction.

Corporate Financial  
Counseling Department

## Irving Trust

Irving Trust Company  
One Wall Street  
New York, NY 10015

## UK COMPANY NEWS

**£7m midway lift for S. Pearson**

A NEAR £7m jump in pre-tax profits to £17.5m for the first half of 1983 is announced by S. Pearson & Sons. Net interest charges were cut by 10 per cent.

The directors are lifting the interim dividend from 3.75p to 5p net, but stress that it should not be assumed that the final will also be increased over last year's 7.45p.

The strike of the Financial Times cost more than £2m in the period; for the second half the cost is likely to be substantially less than the original estimate of £2m.

A strong recovery by two principal businesses was the primary factor in the profit increase. Fine china, benefiting from better trading conditions in North America and its rationalisation moves, and its profit before interest charges leapt from £7.92m to £5.77m.

Westminster Press has also been taking stringent action to reduce costs and improve the performance of its less profitable newspapers. As a result, and with Penguin Publishing "still doing well," profits from the information and entertainments

**Halftime profit for Quick Gp.**

FORD main dealer H. & J. Quick Group has returned to profits with £289,000 pre-tax for the first half of 1983. This compares with a £110,000 loss for the corresponding period which had been attributed to 11.5 per cent of the year end.

Turnover for the half-year was ahead from £43.55m to £49.82m. After tax of £17,000 (£14,000) the net profit was £27,000 (loss £9,96m); merchant banking £4.74m (£3.71m); land and agriculture £1.18m (£844,000); other income less expenses £1.88m (loss £189,000); discontinued activities nil (£181,000 mainly Doulton Glass).

Turnover in the first half was maintained at £32.84m (£22.77m). After tax £9.95m (£8.65m) and minorities £2.65m (£2.56m) the net attributable surplus compares to £4.56m (£2.86m) for earnings of 12.7p (9.5p) per share.

Results for the remainder of 1983 will reflect the downturn in Camco, the American-based oil service business, and the further cost of the strike of the Financial Times. The reason why the latter is likely to be less than envisaged is that there is a greater carry forward of advertising revenue than expected.

**DIVIDENDS ANNOUNCED**

	Current payment	Date of payment	Corresponding pre div. year	Total last year
Anglo-Indonesian	int 1	Jan 3	—	1
Bemrose	int 4.4	Nov 8	4	10
C. D. Bramall	2.75	Oct 7	2.5	10
Breville Europe	int 2.5	Nov 23	2.05	6
W. Canning	int 1.55	Dec 1	1.25	1.75
Chambers & Fergus	0.75	—	1.25	0.75
City & Comm.	int 1.84	Sept 30	1.81	2.21
G.T. Japan	3.5	Nov. 1	4	5.5
Hayters	int 1.88	Oct 3	1.88	—
Invergordon Distri	1.5	Oct 21	1.5	4
Low & Bonar	int 3	Nov. 21	2	5
Merchants Trust	int 1	Oct 25	0.88*	2.26*
Murray Glendevon	2.15	Nov. 16	2.1	3.15
S. Pearson & Sons	int 0.83	Nov. 4	0.85	1.12
H. & J. Quick	int 0.83	Oct 24	0.83	1.45
Twinlock	int 0.8	Oct. 18	0.8	0.9
Wolstenholme Rink	int 2.5	Oct. 18	2.5	6.25

Dividends shown pence per share not except where otherwise stated.

\* Equivalent after allowing for scrip issue. + On capital increased by rights and/or acquisition issues. £ USM stock 5 Total 3p to be recommended.

**Twinlock PLC**

Unaudited results for the half-year ended 26th August, 1983

	6 months to	6 months to	Year to
Sales	26,823	29,882	22,283
£'000s	£'000s	£'000s	£'000s
Profit before Taxation	918	1,026	1,072
Taxation	(201)	(112)	(31)
Minority Interest	(9)	(15)	(21)
Profit before Extraordinary Items	708	299	734
Earnings per Ordinary Share	3.31p	1.40p	3.43p

The Chairman, Mr John Murray, commented:—  
"Improved performance attributable to a 21% increase in UK sales, which were specially strong in the first quarter.  
"Sales by our overseas subsidiaries were 6% down due to economic problems in their markets.  
"An interim dividend of 0.6 pence (0.4 pence) net per share will be paid on 11th November, 1983 to shareholders on the register on 14th October, 1983.

**C. D. Bramall**  
MAIN DEALERS**Record Half Year Profits**

(Unaudited)	Half years ended	Year ended
Turnover	30,683	30,682
£'000s	£'000s	£'000s
Profit before tax	33,431	24,485
Profit after tax	1,273	1,053
Dividend per share, net	2.35p	2.05p
	6.00p	5.00p

"I have pleasure in reporting record half-year profits, 21% on 1982; turnover increased by 37% and proved to be a record for vehicle registrations and I believe your company obtains its share with over 1,500 new units being delivered in the month. This has obviously given the company a good start to the second half of the year and, provided that during the last three months we see vehicle sales at the level initially forecast by the manufacturers, I expect the company to achieve a satisfactory overall result for the year."

Tony Bramall, Chairman

Interim Report available from The Secretary, C. D. Bramall PLC, 146/148 Tong Street, Bradford BD4 9PR.

**STOCK CONVERSION**

PROPERTY INVESTMENT, DEVELOPMENT & DEALING

Mr. Robert Clark, M.A., LL.B., Chairman, yet again reports record results for year ended 31st March, 1983.

\* Net revenue before tax £13,792,000.

\* Earned for shareholders—£7,002,000.

\* Dividends paid and proposed £2,486,000—covered nearly 3 times.

\* Additions to reserves—£10,000,000.

\* Shareholders' funds now exceed £240,000,000.

Copies of the report and accounts may be obtained from the Secretary, THE STOCK CONVERSION AND INVESTMENT TRUST plc, 130 Jermyn Street, London SW1Y 4UP. 01-839 7361.

**Second half loss pulls Breville down to £1.1m**

AFTER THE disappointing first half, Breville Europe, electrical appliance distributor, has run into a loss of £320,000 in the period January-June 1983. This reduced the profit for the year ended June 30, 1983 to £1.12m, compared with £2.53m in the previous year. The final dividend is 3.15p and brings the total up to 4.3p, the minimum forecast when the company was in the USM in September 1982.

Sales for the year slumped from £8.22m to £1.12m. The major reason was the decline in the overall sales of sandwich toasters in the UK. Mr. W. D. O'Brien, the chairman, reminds shareholders of his optimism about the results prior to Christmas last year, when a healthy supply of stock of sandwich toasters was committed against forward orders.

In the event, he explains, consumer purchases did not meet expectations and the company had to cancel or suspend orders for further supplies, leaving it with surplus stock. In addition, there remained higher stocks than ever before throughout the year. Therefore, the turnover in which trade customers had lived off this stock and made very few Breville purchases.

Fortunately, the very wide distribution in purchases by the trade was not entirely matched

by consumer demand which continued at a steady (albeit lower) level.

Mr. O'Brien says the sandwich toaster is still one of the highest volume sellers among small electrical products, and "I believe the market is still there." Breville's assumption is that the company has a declining share of a declining market. Granted, but how many home electrical appliance distributors make net margins of 10 per cent, and cash in the balance sheet, and have shores yielding a margin of 18.5 per cent? Breville's problem seems to be that whenever it comes up with a new product, it is immediately imitated by manufacturers rush into the market with a similar product at a cheaper price. The company is in a race to market by upgrading products and calling them de luxe. But if the consumer decides that a Breville sandwich toaster is a sandwich toaster then Breville will once again have a bleak time during the critical Christmas period. But it should never be forgotten that Breville has no manufacturing capacity, so there are clear limits on the downside. Yesterday the shares gained 7p to 41p. That is a far cry from the offer price of 90p which was subject to a 27-fold oversubscription a year ago, and the market seems to have overdone the cynicism.

For the 1982-83 year net profit came out at £702,000, compared with £1,026,000 in 1981-82, little changed at £1.39m, compared with £1.85m, before deducting lower interest charges of £345,000, against £345,000 previously.

Turnover emerged at 8.07p per share and the interim dividend is being increased by 0.4p to 4.3p per share.

The group's principal activities consist of high technology printing and packaging and with order patterns "still very volatile" many of its customers are not prepared to commit to long term contracts. It is felt that a certain level of strength will be sufficient to stimulate sustainable levels of stronger demand in their varied markets with the beneficial effects this would bring to the printing and packaging industry.

The directors say the group has the capacity to take on a substantial increase to the level of business.

Meanwhile, they point out that its reputation with the banks for "quality and reliability" and

**• comment**

It has been said that Breville Europe misjudged the sandwich toaster market. But the stock market misjudged Breville?

The assumption is that the company has a declining share of a declining market. Granted, but

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The group's principal activities consist of high technology printing and packaging and with order patterns "still very volatile" many of its customers are not prepared to commit to long term contracts. It is felt that a certain level of strength will be sufficient to stimulate sustainable levels of stronger demand in their varied markets with the beneficial effects this would bring to the printing and packaging industry.

The directors say the group has the capacity to take on a substantial increase to the level of business.

Meanwhile, they point out that its reputation with the banks for "quality and reliability" and

**Bemrose pushes ahead to £1.15m**

IN THEIR interim report covering the six months ended July 2, 1983 the directors of Derby-based Bemrose Corporation say the results, showing pre-tax profits up from £1.03m to £1.15m, demonstrate the continuation of the pattern of profit growth established last year.

They say the profit was achieved by operations that became highly efficient in an atmosphere of intense price competition which continued to prevail throughout all the group's various markets.

As no quick change is expected in this environment the directors have planned operations to achieve further improvements from the group's own productivity.

First half turnover slipped from £62.25m to £51.22m and at the trading review was little changed at £1.39m, compared with £1.85m, before deducting lower interest charges of £345,000, against £345,000 previously.

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The directors say the group has the capacity to take on a substantial increase to the level of business.

Meanwhile, they point out that its reputation with the banks for "quality and reliability" and

its investment in high technology have won a major share of new contracts for cheques.

Bemrose has redesigned Luncheon Vouchers to incorporate new security features and thus business will increase progressively over the next 12 months.

It has also gained new orders for information processing and microdrives in automotive markets and for defence contractors.

The directors conclude that their confidence in the future of Bemrose as a growing independent company has "never been stronger."

**• comment**

Given the intense competition in the packaging sector, both for volume and share, Bemrose has not done badly to hold its own steady at the trading line. The company keeps its profits break-down safely under lock and key but undoubtedly its printing operations—both security and microdrives—have increased in importance. This must be worth more to profits than the 47 per cent contribution to sales.

Security printing in particular, where the company boasts some high technology production, is another category of packaging for the grocery trade. Calendars of course present a perennial problem to forecasting at this time of year but assuming the British public want to know what day of the week it is during 1984 profits should top last year's 14.9%.

## UK COMPANY NEWS

## Bramall advances to £1.27m halfway

HALF-TIME figures from C. D. Bramall, motor vehicle dealer, show turnover advancing by £6.15m to £29.63m and pre-tax profit by £220,000 to £1.27m. The interim dividend is lifted from 2.05p to 2.35p net.

Motor dealerships pushed up their profits by 27 per cent over the corresponding period last year. The period was fairly buoyant, with the trading pattern much the same as in 1982, with high vehicle discounts and intense competition between manufacturers. The new Vauxhall/Bedford dealership is making a "useful contribution".

Parts and service operations all performed well and provided stability in the company's business." Profit from contract hire, leasing and finance was slightly below last year.

After tax £299,000 (£299,000), the half year net profit came out at £877,000 (£854,000) for earnings of 12.8p (10.5p) per share. A wider base has been received on the interim dividend to the extent of £1.087.

For the year 1982 the company turned in a profit of £1.55m and paid a total dividend of 8p.

## Telematrix plans full SE listing

Telematrix, a Gloucestershire-based electronic holding concern, is finalising plans to obtain a full stock market listing for its shares. The company was formed in 1978 to provide advanced electronic design and manufacturing facilities for the communications and computing industries.

The company's largest subsidiary, Westminster Micro Systems, claims to be the leading European manufacturer of graphic terminals, while other subsidiaries are involved in CAD/CAM computer systems, medical electronics, communications systems and numerically controlled engineering.

Telematrix's turnover for the year to June 30 1983 was over £5.5m, and pre-tax profits were more than £1.5m. The issue is to be handled by Barclays Merchant Bank and brokers Stok Beech.

## Chamberlain Phipps

The Chamberlain Phipps rights issue of 6.1m shares at 45p each has been an acceptance rate of about 60 per cent.

The balance of the issue has been sold in the market.

## S. PEARSON &amp; SON

INFORMATION & ENTERTAINMENT FINE CHINA OIL & OIL SERVICES MERCHANT ENGINEERING LAND & AGRICULTURE

## Strong performance in the first half

## Group Results for the half year to 30 June 1983

£000 (unaudited)	1983	1982	1982
	Half year	Half year	Full year
Turnover (excluding banking and investment income)	332,844	332,765	718,544
Profit before interest	33,704	29,272	76,977
Profit before taxation	27,197	20,210	59,858
Profit after taxation and minority interests	14,593	8,855	30,752
Earnings per ordinary share	15.7p	9.5p	33.1p

The results for the year 1982 are an abridged version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.

## Statement by the Chairman, Lord Blakenham

The increase in profits for the first half of 1983 over the comparable period last year is due primarily to a strong recovery by two of our principal businesses. Fine China benefited from better trading conditions in North America and its rationalisation moves in the previous year. Westminster Press has also been taking stringent action to reduce costs and improve the performance of its less profitable papers. As a result, and with Penguin still doing well, profits from the Information and Entertainment sector were higher despite the *Financial Times* strike, which in the period cost us over £4 million. Engineering produced improved figures without any marked change in its trading conditions.

The results for the rest of the year will reflect the downturn in Camco, our American-based oil service business, and the further cost of the *Financial Times* strike; as a result of a greater carry-forward of advertising revenue than envisaged this is likely to be substantially less than the original estimate of £6 million for the second half.

A copy of the full announcement is available from the Secretary, S. Pearson & Son plc, Millbank Tower, Millbank, London SW1P 4QZ. Telephone: 01-828 9020.

## Low &amp; Bonar recovers to £2.16m at midterm

A TURNAROUND from losses in the British, European and Pacific activities of Low & Bonar helped the group mount a recovery in first half taxable profits from £64,000 to £2.16m in the period to May 31 1983.

The interim dividend of this packaging, engineering, textiles and paper company is being stepped up from 2p to 3p net per 50p share, on stated earnings per share of 4.15p (losses 10.23p). For the year to November 30 1982 a total of 20p was paid on earnings of 5.01p and pre-tax profits of 5.33p.

A geographical breakdown of the group's profits which included associates' earnings of £750,000 (£263,000) shows: UK/Europe £53,000 (losses £80,000); North America £1.29m (£224,000); Africa £0.13m (£1.84m); Pacific £0.08m (£0.02m). Dividends absorb £419,000 (£278,000).

## • comment

Emerging from a traumatic period of rationalisation Low

and Bonar is now taking stock and seeking areas of growth. Consultants are presently reviewing the long-term future of the engineering division which constituted 21 per cent of pre-tax profits, the results of which will be reviewed in the next annual statement.

Low & Bonar's market share have been depressed in the UK and the Middle East. Packaging has been going well, especially in North America and sales of Flotex carpets, now established in the UK are growing overseas.

Low & Bonar has been trying to improve the quality of its products in the UK and North America and lessening the dependence on Africa. Currency difficulties have halved profits from Africa to £80,000 in the first half. It contributed £4.7m to the year last year. The uncertainty of the market has caused the market to recognise a recovery and the shares have come up from a year low of 70.5p closed up 2p at a year's high of 112p.

## Anglo Indonesian leaps: calls for £1.06m

SIGNIFICANT improvements in the trading performance of both the plantation and engineering businesses together with a satisfactory reduction in group UK bank borrowings enabled the Anglo-Indonesian Corporation to push its pre-tax profits from just £15,000 to £536,000 for the first half of 1983.

The directors report that although much has been done to eliminate the serious losses incurred by the engineering business in the UK and Europe in 1982, much still remains to be done, particularly in the area of transformer manufacture.

"We have been reviewing our major engineering operations with the assistance of consultants, and recommendations are expected shortly," they say.

Tax took £1.49m (£1.28m) and after minority interests of 1p is deducted the directors say the group's pre-tax profit came to 5.01p.

Emerging from a traumatic period of rationalisation Low

## Cost cutting helps push Canning to £0.8m midterm

THE SUCCESS of reducing operating costs and introducing new products is reflected in an increase from £165,000 to £783,000 in pre-tax profit of W. Canning for the first half of 1983. The group is involved in chemicals, metals and electronics, and did not experience any noticeable improvement in UK demand until July.

The directors have decided that the present position warrants an improved dividend, and are doubling the interim dividend to 5.0p net. Total dividend for 1983 was 1.75p from a pre-tax profit of £836,000, being cut from the 3.97p of the previous year when the interim was 1.74p.

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TENDERS MUST BE LOGGED AT THE BANK OF ENGLAND, NEW ISSUES (B), WATLING STREET, LONDON, EC4M 9AA, NOT LATER THAN 10.00 A.M. ON THURSDAY, 15TH SEPTEMBER 1983, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND, NOT LATER THAN 3.30 P.M. ON WEDNESDAY, 14TH SEPTEMBER 1983.

ISSUE OF £1,100,000,000

## 10 per cent TREASURY STOCK, 1987

MINIMUM TENDER PRICE £97.00 PER CENT

PAYABLE AS FOLLOWS:

Deposit with tender	£20.00 per cent
On Monday, 17th October 1983	£40.00 per cent
On Monday, 14th November 1983	Balance of purchase money

INTEREST PAYABLE HALF-YEARLY ON 12TH JUNE AND 12TH DECEMBER

This Stock is an Investment falling within Part II of the First Schedule to the Trustee Investments Act 1981. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for £1,000,000,000 of the Stock; the balance at £100,000,000 has been reserved for the National Debt Commissioners for public funds under their management.

The principal of and interest on the Stock will be a charge on the National Loans Fund, the National Debt Commissioners' Consolidated Fund of the United Kingdom. The Stock will be repaid at 10.00 a.m. on 12th December 1987. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable. In multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1983. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 12th June and 12th December. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 12th June 1984 at the rate of £5.4301 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (B), Watling Street, London EC4M 9AA not later than 10.00 a.m. on Thursday, 15th September 1983, or any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON WEDNESDAY, 14TH SEPTEMBER 1983.

Each tender must be for one amount and at one price. The minimum price, which a tender will not be accepted, is £97.00 per cent. Tenders must be made in whole amounts which are multiples of 25p. Tenders lodged without a price being quoted will be deemed to have been made at the minimum price.

A separate cheque representing a deposit at the rate of £20.00 for every £100 of the nominal amount of Stock tendered for must accompany each tender. Cheques must be drawn on a bank in the United Kingdom, and be payable in the United Kingdom. Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£2,000	£200
£2,000-£10,000	£500
£10,000-£50,000	£1,000
£50,000 or greater	£2,500

Her Majesty's Treasury reserves the right to reject any tender or part of any tender and is therefore not obliged to accept tenders less than the full amount of the Stock.

Tenders will be rejected in documents containing tenders which have been made to tenders whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price, which will be the lowest price at which tenders made at prices above the allotment price will be allotted in full. Tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenders will be allotted at the allotment price to the Government and Company of the Bank of England, issue Department.

Letters of allotment in respect of Stock allotted being the only form in which the Stock may be transferred from the tenderer to the Bank of England will be sent to the Bank of England, or to any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON WEDNESDAY, 14TH SEPTEMBER 1983.

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A separate cheque representing a deposit at the rate of £20.00 for every £100 of the nominal amount of Stock tendered for must accompany each tender.

Cheques must be drawn on a bank in the United Kingdom, and be payable in the United Kingdom. Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:

Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£2,000	£200
£2,000-£10,000	£500
£10,000-£50,000	£1,000
£50,000 or greater	£2,500

Her Majesty's Treasury reserves the right to reject any tender or part of any tender and is therefore not obliged to accept tenders less than the full amount of the Stock.

Tenders will be rejected in documents containing tenders which have been made to tenders whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price, which will be the lowest price at which tenders made at prices above the allotment price will be allotted in full. Tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenders will be allotted at the allotment price to the Government and Company of the Bank of England, issue Department.

Letters of allotment in respect of Stock allotted being the only form in which the Stock may be transferred from the tenderer to the Bank of England will be sent to the Bank of England, or to any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON WEDNESDAY, 14TH SEPTEMBER 1983.

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Amount of Stock tendered for	Multiple
£100-£1,000	£100
£1,000-£2,000	£200

## BASE LENDING RATES

A.B.N. Bank	9.1%	Hambros Bank	9.1%
Al Baraka International	9.1%	Herrital & Gen. Trust	9.1%
Allied Irish Bank	9.1%	Hill Samuel	5.9%
Amro Bank	9.1%	C. Hoare & Co.	9.1%
Henry Anshacher	9.1%	Hongkong & Shanghai	9.1%
Arthur Latham	9.1%	Kingman Trust Ltd.	11.2%
Armc Trust Ltd.	9.1%	Knowles & Co. Ltd.	10.2%
Associates Cap. Corp.	9.1%	Lloyd's Bank	9.1%
Banco de Bilbao	9.1%	Mallinckrodt Limited	9.1%
Bank Hapoalim BN	9.1%	Edward Manson & Co. Ltd.	10.4%
ECCI	9.1%	Midland Bank	9.1%
Bank of Ireland	9.1%	Morgan Grenfell	9.1%
Bank Leumi (UK) plc	9.1%	National Bk of Kuwait	9.1%
Bank of Cyprus	9.1%	National Girobank	9.1%
Bank of Scotland	9.1%	National Westminster	9.1%
Bankus Belize Ltd.	9.1%	Norwich Gen. Trst.	9.1%
Banque du Rhone	10.4%	P. S. Refson & Co. Ltd.	9.1%
Barclays Bank	10.4%	Roxburgh Guarantee	10.4%
Beneficial Trust Ltd.	10.4%	Royal Trust Co. Canada	9.1%
Bremar Holdings Ltd.	9.1%	Standard Chartered	9.1%
Brit. Bank of Mid. East	9.1%	Trade Dev. Bank	9.1%
Brown Shipley	10.4%	TCS	9.1%
CL Bank Nederland	9.1%	Trustee Savings Bank	9.1%
Canada Perf. Trust	10.4%	United Bank of Kuwait	9.1%
Castle Court Trust Ltd.	10.4%	United Mizrahi Bank	9.1%
Cayzer Ltd.	9.1%	Volkspak Bank	9.1%
Cedar Holdings	10.4%	Westpac Banking Corp.	9.1%
Chairhouse Japhet	9.1%	Witneyway Ltd.	10.4%
Chase Manhattan	9.1%	Williams, Glynn & Co.	9.1%
Citibank Savings	9.1%	Witneyway Ltd.	9.1%
Clydesdale Bank	9.1%	Yorkshire Bank	9.1%
C. E. Coates	9.1%		
Comm. Bk. of N. East	9.1%		
Consolidated Credits	9.1%		
Co-operative Bank	9.1%		
The Cyprus Popular Bk.	9.1%		
Dunca Lawrie	9.1%		
E. T. Trust	10.4%		
Exeter Trust Ltd.	9.1%		
Fins. N. Fin. Corp.	9.1%		
First Nat. Secs. Ltd.	10.4%		
Robert Fraser	10.4%		
Grindlays Bank	9.1%		
Guinness Mahoo	9.1%		

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## FRESHBAKE FOODS GROUP PLC.

(Registered in England No. 1547409)

## SHARE CAPITAL

Authorised	Issued and fully paid
£1,200,000	In Ordinary Shares of 5p each

Placing by  
Paul E. Schweder, Miller & Co.  
of 4,215,160 Ordinary Shares of 5p each  
at 60p per share

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Company's Ordinary Shares in the Unlisted Securities Market. A proportion of the shares being placed is available to the public through the market. It is emphasised that no application has been made for these securities to be admitted to the principal market. Particulars of the Company are available in the statistical services of Evel Statistical Services and copies of such particulars may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 10th September, 1983 from:

Paul E. Schweder, Miller & Co.  
46-50 Sun Street, London EC2M 2PX  
and  
Freshbake Foods Group PLC  
Bell Road, Sittingbourne, Kent ME10 4HE

This announcement appears as a matter of record only.

## BIDS AND DEALS

## Norton defends accounting plan

BY CHARLES BATCHELOR

Mr Stewart Jamieson, chairman of W. E. Norton (Holdings), the machine tool distributor and security alarm group, defended the company's accounting practices at yesterday's shareholders' meeting.

The accounting policy which Norton intends to apply following the acquisition of three security companies will be to "capitalise" direct labour, materials and direct engineering overheads, restricted where necessary to ensure that future income anticipated to be earned from the equipment, at current rates will not be less than the attributable future costs of that income, including depreciation.

The accounting practices of

some security firms have been criticised recently as maximising profits in early years but reducing them subsequently.

Shareholders approved the acquisition of Atlas Alarms (North West), Capricorn Security Services, and Surety Security Services, at yesterday's meeting. They also gave their assent to the unification of the two classes of Norton's ordinary shares and a new share option scheme.

"We asked our accountants to give us an accounting policy we could work with," said Mr Jamieson. "I have put £500,000 of my own money into the company and I am working like hell to turn it round. I can guarantee

shareholders a lot of excitement and results."

Norton's shares fell 25p to 251p yesterday.

## LONRHO SETTLES

An agreement has been signed which provides for the Government of Tanzania to pay Lonrho compensation in excess of Tanzanian Shs 155m for the assets which were acquired by the Government in 1978.

Lonrho is now commencing discussions with the Government concerning reinvestment together with new ventures, which will concentrate on the agricultural potential of Tanzania.

## Westminster Gp. welcomes bid from St. Piran

The board of Westminster Property Commission report on the £53m takeover bid from wealthy U.S. businessman Mr Alfred Taubman for Sotheby's, the art auctioneers, to be published tomorrow.

Sotheby's shares rose 13p to 675p yesterday, just below the 700p offer price from Mr Taubman.

The Commission has taken just three months to complete its report, well within the six months it is normally allowed.

Mr Taubman, a Detroit property developer, made an agreed counter-bid for Sotheby's after the company had rejected an

earlier offer from two other American businessmen, Mr Stephen Swid and Mr Marshall Cogan.

The former Trade Secretary, Lord Cockfield, referred the original bid from Mr Swid and Mr Cogan to the Commission for the advice of the Office of Fair Trading.

The reason given for the referral was the need to study the impact of the bid on London as a centre of the international art market and on the position of Sotheby's in that market though it was not seen as a threat to competition.

## SHARE STAKES

Westwood Dawes — Mr. R. Allsop, director, his wife, Mr. V. E. Allsop, and his stepson, Mr. W. Davies, have purchased 2,550, 10,106 and 14,992 ordinary shares respectively.

Automotive Products — The executors of the estate of the late Mr. W. Emmott have disposed of 148,247 ordinary shares.

Paribrough Property Holdings — Mr. M. L. Lomax, director, has sold a further 60,000 ordinary shares reducing his holding from 7.5m to 7.45m.

Francis Parker — Following the disposal of shares, investors in Industry is now interested in 4.75m ordinary shares (18.4 per cent).

Marley — Mr. R. A. Aisher has disposed of 18,387 ordinary shares (no official figure).

Midland Marts Group — On August 23, the Throgmorton Trust held 230,500 shares (7.12 per cent).

Nasb Industries — Throgmorton Trust has disposed of its entire holding of 300,000 ordinary shares.

Northern Foods — On August 4,

Mr. H. Lotman, a director, acquired 50,000 ordinary shares at 184p.

Computer and Systems Engineering — Mr. A. T. Rutherford, an executive director, has bought 25,000 ordinary shares.

Personal Assets Trust — Mr. J. M. Menzies, director, has purchased 1.6m rights which brings his interest to 12,546,241 ordinary (20.2 per cent).

The remainder, 917,587 rights were placed through the market by Grieveson, Grant and Co and Zoete & Bevan, brokers to Exco.

Rights sold arose to St. Piran.

In relation to fractions and holdings of North American residents (including 264,444 relating to P. J. D'Angelo, a director of Exco) and 1.73m in relation to holdings of other directors of Exco, a former director, senior executives and related parties.

The executive directors of Exco will take up the balance of their rights and directors will continue to hold about 7.5m ordinary (12 per cent).

Rights were sold by N. M. Rothschild & Sons.

## PETER BLACK

Peter Black Holdings has purchased J. S. Textiles of Whitefield near Manchester, which manufactures bedding and curtains. Peter Black expects the total net cost of this investment to be in the region of £250,000.

## SUNLIGHT SERVICES

Brengreen Holdings has purchased 850,000 ordinary shares (7 per cent) in the Sunlight Services Group at 250p per share. Brengreen now owns 7.2 per cent of Sunlight.

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## SUNLIGHT SERVICES

Geneva sugar pact talks in trouble, Page 36

## SECTION III - INTERNATIONAL MARKETS

# FINANCIAL TIMES

Tuesday September 13 1983

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### WALL STREET

## Spectacular somersault from peak

RUSH HOUR for Wall Street equity traders began the minute the market opened yesterday, bringing an almost immediate 20-point leap in the Dow Jones Industrial average and a first-hour volume which at 37.08m shares was in the all-time top ten, writes Gordon Cramb in New York.

The "one and only reason," as one broker put it, was the entirely unexpected \$2bn drop in the M-1 measure of U.S. money supply announced after last Friday's close, paving the way toward lower interest rates.

Then a spanner was thrown in the works, however, in the form of a market rumour that the Fed's calculations had been wrong and would be revised. This the authorities later denied.

The rumour nonetheless helped bring on a day of volatile gyrations in which the only constant factor was the trading pace as turnover grew to a total of 115.15m units.

The Dow, which had effortlessly cleared its peak of 1,248.30 set on June 16, succumbed to profit-taking which left it 10.87 beneath its pre-weekend level at 1,239.07 after a mid-afternoon rally collapsed.

Chrysler was active and 5/4 weaker at

Nearly all sectors benefited from the morning strength, brokers noted, while the mid-session correction brought an equally even distribution of erosion of these gains.

The credit markets, which on Friday evening had hailed the money supply news with a sharp markdown in yields on government and corporate paper, retained the majority of this improvement yesterday in fairly quiet trading as the Federal Reserve avoided a tightening of liquidity which some had feared would come through bill sales or reverse repurchases.

Dealers there said much of Friday's advance had been achieved on fairly thin volume, and a downward adjustment was no serious cause for concern.

The broad-based nature of the early rally in stocks and the subsequent decline meant it was left to issues surrounded by specific corporate developments to provide the noteworthy movements.

Prominent among these was the intervention of Williams, the fertiliser and energy group, with a \$39 a share bid for Northwest Energy, eclipsing the previously agreed leveraged buyout by an investors' group led by Allen and Co priced at \$31.

Northwest jumped 55/4 to 337/4 on the news while Williams shed 51/4 to 265/4.

A slide into losses by Gelco after large-scale write-offs of the vehicle leasing operator's Mexican involvements had been discounted in advance by the market and its stock improved 5/4 to 517/4 compared with a 52-week high of 521/4 and low of 518/4.

Chrysler was active and 5/4 weaker at

529/4, General Motors fell 51/4 to 572 and Ford shed 1/4 to 604.

Steel was also weak, U.S. Steel, which denied reports of planned closures, dipped 51/4 to 228/4 and National Steel - the Detroit motor industry's main supplier - shed 51/4 to 307/4.

Even in the midst of the bull market, meanwhile, Wall Street broking firm showed one of yesterday's more severe setbacks. Stock in Merrill Lynch dropped 4/4 to 337/4 in busy dealings after the firm revised downward its profit projections for the year. Phibro-Salomon relinquished 23/4 to 284/4.

An early afternoon downturn in the government bond markets brought the key long bond, the 12 per cent of 2013, back below the 104 level it had attained on Friday evening when it leapt 1/4 points. It stood yesterday at 103 3/4 to yield 11.55 per cent.

At the shorter end the three-month Treasury Bill was discounted at 9.04 per cent, some seven basis points firmer, while the six-month rate moved up the same amount to 9.18. Fed Funds came down to 9/4 per cent from Friday's 9%.

### LONDON

## Ebullient gilts steal limelight

GOVERNMENT securities surged higher to dominate London stock markets at the expense of leading shares yesterday. Once again, the cause of London's early ebullience was the latest set of U.S. money supply statistics, and the FT Industrial Ordinary share index gained 3 to close at 707.9.

Domestic and overseas investors seeking lower international interest rates vied to obtain stock in markets free of official tap following the sell-out early yesterday of remaining supplies of the \$300m tranche of Treasury 12 per cent.

Leading industrials opened sharply higher but a downdraft soon ensued in markets clouded again by Government BP share sale possibilities and also overshadowed by the revived activity in gilts. Details, Page 31; Share Information Service, 32-33.

### AUSTRALIA

CUTS in key domestic interest rates, coupled with optimism over international rates following favourable U.S. money supply figures, drew strong buying interest in Sydney.

Prices rose sharply across a wide spectrum in heavy trading, pushing the All Ordinaries index 6.3 points ahead to a new high for the year of 736.7.

In oil and gas stocks, Santos gained 26 cents to \$8.78, while Crusader and Vangas both put on 20 cents to \$4.40. Metra rose 35 cents to \$3.25 and Poseidon 40 cents to \$8.40 in golds. MIM was a rare loser among minings, 2 cents off at \$4.48.

Foreign buying pushed Nippco Steel up 3/4 to \$1.71, Kawasaki Steel 2/4 to \$1.72 and Nippon Kokan 2/4 to \$1.70.

Many city banks, foreign banks operating in Japan, trust banks and cor-

### TOKYO

## Buyers bank on boost for Wall Street

THE SHARP plunge in the U.S. money supply announced last weekend encouraged investors to buy blue chips and income-backed issues in Tokyo yesterday, pushing up the Nikkei-Dow market average to an all-time high of 9,363.85 at one point, writes Shigeo Nishiwaki of *Yomiuri Shimbun*.

The previous record was 9,355.66, registered on September 7. The index of 225 select issues slipped to 9,353.13 at the day's end, still up a healthy 51.12.

Gains edged out losses 332 to 331, with 189 issues unchanged. Volume sagged from 350.52m shares last weekend to 252.10m.

Investors bought blue-chip and income-backed stocks in small lots in anticipation that prices would rise substantially on Wall Street later because of the steep decline in money supply. Sony, which may report rapid recovery in its business results for the half-year ending next April, registered a gain of 200 at one stage, finishing at 1,790, up 1,790.

Fujitsu rose 1,60 to 1,410, exceeding its all-time high of 1,400 on August 23. NEC gained 20 to 1,460, Oki Electric Y27 to Y32, Matsushita Electric Industrial Y40 to Y1,700, Honda Y15 to Y895, Canon Y50 to Y1,480 and Ricoh Y27 to Y29.

Oils advanced because of the yen's firmness. Nippon Oil and Teikoku Oil, which are promoting oil development projects in Oman, rose 150 to Y985 and Y22 to Y785 respectively. Mitsubishi Oil added Y17 to Y319, Toa Nenryo Y30 to Y1,70 and Kao Oil Y22 to Y498.

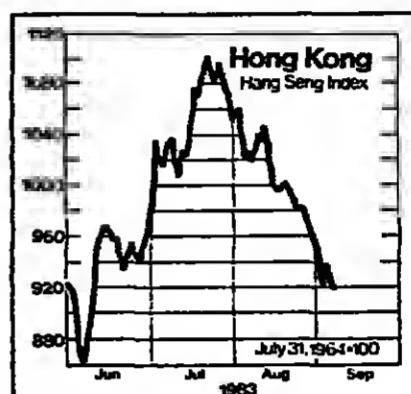
Foreign buying pushed Nippon Steel up 3/4 to Y1.71, Kawasaki Steel Y2 to Y1.72 and Nippon Kokan Y2 to Y1.50.

But Arabian Oil, which had been popular among speculators, lost 150 to Y5,850 and Nippon Lace suffered a day's limit loss of Y200 to Y1,290. Peata-Ocean went down Y24 to Y337 and Shikib Y27 to Y32.

Many city banks, foreign banks operating in Japan, trust banks and cor-

porations offered massive bonds for sale, which a leading securities house estimated at a total of more than Y200bn. Major brokerage houses bought many of them but later placed sell offers for fear of future price moves.

Yield on the barometer 7.7 per cent government bonds with 6.5 years remaining to maturity dropped from Friday's 7.59 per cent to 7.51 per cent. The bonds were then offered for sale at a yield of 7.54 per cent. Government bonds carrying a coupon of 7.5 per cent and having 9.5 years remaining to maturity changed hands at a yield of 7.85 per cent against 7.94 last weekend, but were later offered for sale at 7.88 per cent.



## EUROPE

## Still wary despite good omens

FRIDAY'S announcement of an unexpected fall in U.S. money supply figures combined with the IMF's guarded forecast of recovery for the world economy to give a predictable lift to European bourses yesterday. But trading in most centres was subdued - investors apparently relying on Wall Street's later reaction to tell them how much weight to attach to these two factors.

In Frankfurt, the S200 fall in M-1 depressed the fear of still higher U.S. interest rates which has weighed down the market since early July. Moderate buying (totalling centred on electrics AEG

and Siemens. AEG touched DM 80 before easing to close at DM 79.70 for a gain of DM 1.40, while Siemens rose by DM 4.80 to DM 340.50.

The new Wella preference shares made their debut at DM 37.00, compared with a subscription price of DM 34.00.

Motor issues closed higher with Daimler DM 2.70 up at DM 572.20 and VW DM 2.30 ahead at DM 218.70.

In chemicals, BASF firmed 50 pf to DM 150.40 and both Bayer and Hoechst were 70 pf higher at DM 150.20 and DM 155 respectively. In engineering, Linde jumped DM 3 to 376 and MAN gained 50 pf to DM 129.50 but KHD eased 80 pf to DM 240.20.

The FAZ closing index edged ahead 1.41 points to 312.89.

The Bank of France's decision to lower the call money rate by 1/2 of a point to 12 1/2 per cent proved an added incentive in Paris, but again trading was no more than moderate.

In motors, Valeo gained FFr 3 to FFr 293 after announcing a one-for-three rights issue at FFr 220 to raise FFr 107m, while Peugeot put on FFr 1.10 to FFr 206.2.

Construction groups were mainly higher, with Bouygues FFr 7 ahead at FFr 732, and Dumez FFr 11 up at FFr 909, but Peclat went against the trend in electrics, shedding a half to FFr 80.

Banks drew particular support from expected lower interest rates in Amsterdam, with ABN gaining FFr 7 to FFr 386.

Insurer Ennau rose FFr 17 to FFr 182 after a FFr 16.50 jump on Friday when news of its merger talks with the Aig group was announced.

Internationals showed increasing strength later. Unilever putting on FFr 4 to FFr 224.50 and Akzo FFr 1.20 to FFr 70.

Stocks closed slightly lower in Brussels, but traders forecast an upturn today when the Belgian bourse would take its cut from expected rallies in bigger exchanges.

Societe Generale eased BFr 5 to BFr 1935, but Petrofina rose BFr 40 to BFr 6040 on expectations of a firmer oil market.

Technical considerations ahead of Friday's monthly settlement day saw slight gains in Milan, but trading was thin. Features of selective buying were a L29 gain to L3089 for Fiat and Montedison's L4.75 rise to L234.

In Switzerland, the Zurich and Geneva markets were inactive because of public holidays, but prices closed generally firmer in Basle.

## Why the Hong Kong Government made London's Barbican its main port of call.

Like the Hong Kong Government, many people have already held a presentation at the Barbican. Or an exhibition. Or a conference. Or any combination of all three.

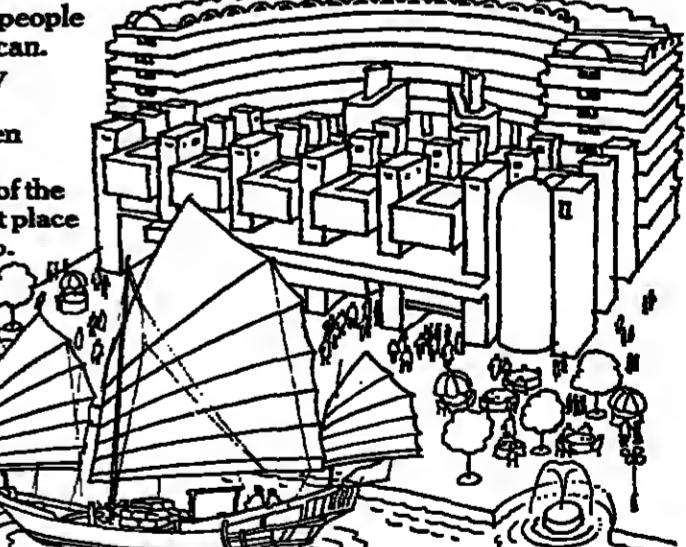
And we can confidently claim they've been very successful. But that's hardly surprising.

After all, the Barbican's right in the heart of the City of London. And London's not just a great place to do business. It's a great place to relax in, too.

Then, the Barbican Centre for Conferences has all the facilities and equipment that any conference organiser could ask for. It will welcome 2,000 delegates. Or just 10. It's got loads of effective exhibition space.

And, of course, it's part of a development that houses the famous new arts centre. Music, drama, cinema, art galleries - everything to please the cultivated mind.

If you want to be confident of success with your next conference, plan on booking the Barbican.



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To: The Conference Director, Barbican Centre for Conferences, Barbican, London EC2Y 8DS. Telephone: +441638 4141. Please send me my free book.

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Barbican Centre for Conferences

Barbican Centre for Conferences

## **NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES**

# Kidder, Peabody Securities Limited

## Market Makers in Euro-Securities

An affiliate of

**Kidder, Peabody & Co.**  
Incorporated  
Founded 1845

New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

**Continued on Page 2**

## **AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES**

**Continued on Page 30**

## NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

**Sales figures are unofficial. \*Early highs and lows reflect the 52-week period, the current week, and the latest 12 weeks.**

previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 2 per cent or more has been paid the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a dividend also known as annual rate of dividend plus stock dividend c-equivalent dividend cd-called d-new year's low e-dividend declared or paid in preceding 12 months g-dividend in Canadian funds subject to 15% non-residence tax h-dividend declared after split-up or stock dividend i-dividend paid this year, omitted, deferred or no action taken at latest dividend meeting j-dividend declared or paid this year on an accumulation issue with dividends in arrears k-new issue in the past 52 weeks. The high-low range begins with the start of trading non-day delivery P/E-price-earnings ratio 1-dividend declared or paid in preceding 12 months, plus stock dividends s-stock split. Undividends begins with date of split t-sales t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date u-new year's high-v-trading halted w-in bankruptcy or receivership or being re-organised under the Bankruptcy Act, or securities assumed by such companies wd-often distributed wu-when issued wu-with warrants x-ex-dividend or ex-rights ad-as-distribution ad-without warrants y-ex-dividend and sales in full yd-yield z-sales in full



## MARKET REPORT

## LONDON STOCK EXCHANGE

## RECENT ISSUES

# U.S. money figures spur Gilts which hold sharp gains despite new Government funding

## Account Dealing Dates

Option  
First Declares Last Account Dealing Dates Day  
Sept 5 Sept 19 Sept 26 Sept 19 Sept 29 Sept 30 Oct 10  
Oct 3 Oct 13 Oct 14 Oct 24  
\* New-time dealings may take place from 9.30 am on two business days earlier.

Government securities surged higher dominate London stock markets at the expense of leading firms in the late, looking dismal in comparison by showing a progressive retreat from markedly higher starting values. The cause of London's early stalling was the latest set of U.S. money supply statistics. For the second week running, U.S. bond markets were caught out by another sharp dip in money growth which sent U.S. bond values soaring after the Wall Street close last Friday.

Gilt-edged stocks replied with equal fervour. Domestic and overseas investors, sensing lower interest rates, moved into the obtain stock in massive amounts of official cap following the sell-out early yesterday of remaining supplies of the £200m tranche of Treasury 12 per cent 1985. Later in the session, quotations edged away from the highest and to the second highest. The Government funding was announced the official 3.30 pm close.

This took the shape of firm short-dated Treasury 10 per cent 1987, payable £20 on application this Thursday at minimum tender price of 997. When dealings resumed after the customary recess, quotations fluctuated slightly and finally improved slightly on the 3.30 pm level. Measuring the all-round strength of Gilts, the FT Government Securities index rose 0.94-11 to 80.82.

Dealers opened leading industrial stocks higher on the assumption that Wall Street would respond strongly to the U.S. monetary developments which it did early yesterday by jumping 20 points to an all-time record. Investors in London showed interest in secondary equities, in which several sizeable gains were effected, but ignored most top-quality stocks.

A rebound soon ensued in markets clouded again by Government BSC share-sale possibilities and also overshadowed by the revived activity in Gilts. At the end of the day, five constituents of the FT Industrial Ordinary share index, which began nearly 10 points up but closed only a net three points better at 707.3, actually settled 10 points below the balance. These included GEC, Blue Circle and Bovair.

## Barclays better

Restrained lately by revived fears that the Chancellor might impose a windfall profits tax, the major clearing banks took a turn for the better as buyers reappeared. Barclays led the advance with a rise of 17 to 495s, while Lloyds put on 15 to 510s as did NatWest, to 615s. Midland, however, were neglected and finished a couple of pence cheaper at 430s. Dis-

counts moved higher in places in sympathy with gilt; Union added 15 at 555s. Cheaper money hopes also left Moorgate Mercantile 24 dearer at 315s and Baltic Leasing 7 higher at 215s. The market conditions prevailed among London businesses with sentiment still sound though Prudential's disappointing interim statement. Pru cheapened a couple of pence more to 440s. Among Lloyds Brokers Willis Foy lost 5 at 830s; the first-half results were due today.

Scottish & Newcastle continued to respond to the Edinburgh rationalisation proposals with a further rise of 2 to 92s.

Other leading Breweries traded quizzily. Bass, 2 cheaper at the 182.2m since a deal with Thorn EMI elsewhere. Interbrew fell 7 to 143s following disappointing interim profits.

Leading Buildings failed to consolidate after a promising start. Blue Circle, up to 431s earlier, drifted back in the absence of follow-through support to close 8 down on balance at 420s. RMC ended a couple of pence up at 380s, after 340s, and Tarmac closed 10 up to 380s, the latter not helped by rumours that a line of stock was rumouring the market.

London Brick contrasted and put on 3 to 3 1/2 at 98s peak of 93p as dawn-raid rumours resurfaced. Outside of London, the market moved 5 to 121s, after 120s, following indications that Davy Construction may launch a full-scale bid for the company, while Brown and Jackson put on 4 to a year's high of 24p following the agreed sale of a substantial part of its property developments by way of a management buy-out.

Deutsche, 10 down to 29s; last week's Controversy Industries sold its 23.7 per cent stake in the company to two private individuals.

Marchwiel hardened a couple of pence to 210s awaiting today's half-timer, while Bellway attracted scattered support and moved 5 to 115s. Blockley closed 5 cheaper on balance at 205s, while the increase in interim profits and the Board's confident statement having been discounted.

Wall Street's early burst of strength failed to stimulate ICI which, having opened 10 higher at 538p in line with other equity leaders, drifted back to close just 2 down at 528s. The chairman's confident statement about the full-year outcome that accompanied the interim results prompted support for Wolstenholme Rank which gained 10 to 113s.

Leading Stores made small progress in this trading. Elsewhere, Harris Gossen rose 3 to 104s, while the other three were up ahead of the interim figures scheduled for September 29. Castors "A" at 617s, recorded a Press-inspired rise of 8, while Whessoe, firm recently on Press mention, closed 6 down at 124s. Adverse Press

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## COMMODITIES AND AGRICULTURE

## Geneva sugar agreement talks run into problems

BY ANTHONY McDERMOTT IN GENEVA

NEGOTIATIONS for a new International Sugar Agreement (ISA) have run into early problems at a conference which opened in Geneva yesterday.

Key participants, notably the EEC and the U.S., are reluctant to commit themselves at this stage but are ready to keep talks going. The conference is being held under the aegis of the United Nations Conference on Trade and Development (Unctad).

It is the third round of talks on this topic after sessions in Mexico City and Geneva in London. The aim is to produce a new ISA to replace the existing pact set up in 1977 and due to expire at the end of next year. But considerable differences remain to be resolved.

At the opening session, Mr Jorge Zorreguieta, the Argentine president of the conference, proposed in an unhappy phrase "a zone of inaction" which would mean finding a balance between sugar exports, as represented by the last ISA.

The problems faced by the delegates are considerable.

They range from the hard-line approach by the EEC, based on findings for an agreement on reserve stocks, to Brazil's approach which is founded on export quotas and Australia's position between the two.

There is, in addition, the problem of Cuba's relationship with the Soviet Union within the context of Comecon and how the price of sugar, as represented by the last ISA.

Prospects for lower production and increased sugar use in 1983/84 suggest only a slight price rise in 1984, USDA said.

Both markets had been boosted this year by expectations that crop would be well down because of adverse weather in West Africa, and the European spring deluge followed by a dry summer in the case of potatoes. But in both cases earlier gloomy forecasts are now being reassessed.

• **COMMODITY** brokers Rudolf Wolff have launched a comprehensive chart service covering metal, soft commodity and financial futures markets. The service replaces the reports published by Eurocharts.

• **ARGENTINE** meat exports during January/August fell to 237,032 tonnes from the 293,490 tonnes shipped in the same period last year.

• **THE INTERNATIONAL** Jute conference in Calcutta recommended a series of research projects to eradicate major jute diseases and pests.

• **BOSTON** Environmental Committee, Lincolnshire, has recommended that a local farmer should be prosecuted for contravening by-laws on stubble burning.

• **THE AUSTRALIAN** Meat and Livestock Commission has warned producers to expect the EEC to impose cuts on export shipments of meat, dairy and feed grain.

support could be related to any new ISA.

In short, Mr Zorreguieta, in spite of his tactical optimism, was probably closer to the truth in suggesting that this meeting, which is due to end of September 29, might agree only on bureaucratic details to keep negotiations for a new ISA going.

• **WORLD** sugar production in the 1982/83 season (October-September) is estimated at 99.7m. tons, up from 98.6m. forecast earlier and 6.7m. tonnes more than the 1981/82 consumption, the U.S. agriculture department (USDA) said.

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## Cocoa and potato futures slide back

BY JOHN EDWARDS, COMMODITIES EDITOR

COPPER STOCKS in London Metal Exchange warehouses jumped again last week to reach the highest level for four and a half years. A rise of 11,773 tonnes took total holdings to 357,225 tonnes.

This is the seventh consecutive weekly increase and means that stocks have risen by 106,400 tonnes in the past two months.

The market was relatively quiet in the London Metal Exchange, since the market has now become resigned to the stock increases. However, prices did lose ground reflecting the easier tone in New York and the rise in the value of sterling against the dollar.

Former sterling was a generally decreasing influence on the base metal markets, while precious metals were also under pressure in late trading following rumours that Brazil had signed a loan of intent over payment of its external debts.

Aluminum futures were hit by renewed selling in early trading. The three month quotation fell to a low of £1,117 at one stage before rallying to

## LME copper stocks reach highest level for four years

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close at £15 down on Friday at £1,123.5 a tonne and moving to £1,126 in late dealings.

Stocks in the LME warehouses declined by 2,500 to 257,373 tonnes. More important, the latest figures from the International Primary Aluminum Institute showed that non-Communist world producer stocks of primary aluminum fell to 2,211m. tonnes in July from 2,227m. in June and 3,211m. in July last year.

Zinc lost some of the gains made on Friday, while tin dropped again following a sharp decline in the Straits tin price, from M1530.43 to M1529.93 a tonne, in the Penang market over the weekend.

Lead values held steady, however, in spite of yet another rise in stocks of 3,075 tonnes taking total holdings to a record total of 209,600 tonnes. Zinc stocks increased by 3,500 to 110,375 tonnes, close to the all-time high of 112,950 tonnes reached in October 1976.

Dealers claim, however, that there is still a shortage of special high grade zinc which is being met by the local market.

Nickel stocks rose to 492 to 23,916 and tin by 45 to 43,995 tonnes, but LME silver holdings declined by 10,000 to 36,490,000 ounces.

This has triggered off rumours that either another in-

## Bufferstock manager to be appointed

BY Wong Sulong in Kuala Lumpur

DELEGATES from the International Natural Rubber Organization (INRO) are to hold a special session here today to appoint a new bufferstock manager (BSM).

Two candidates, Mr Harvey Adam from the U.S. and Mr A. Mitrovanov of the Soviet Union, who both worked in the rubber industries of their countries, have been nominated. Mr Adam is the clear favourite to get the job.

The current BSM, Mr Jack Riedi, was to have resigned in mid-June, but agreed to remain until September 18 because at the last INRO meeting in May, delegates failed to agree on a successor.

The U.S. nominated Mr Robert Saunders, who was the sole candidate, but producing countries wanted a choice of candidates from the consuming members.

Meanwhile, the Kuala Lumpur Commodity Exchange (KLCE) has shortened the rubber futures trading period from 24 months to 18 months, and shortened the seven delivery quarters to three.

The contract lot remains at 25 tonnes, although it might be changed later if it is found to be too big.

• Rubber prices fell back on the London physical market yesterday as seasonal production increases ran up against continued sluggish demand. The strength of sterling was also a factor encouraging the 3p fall to 74p a kilo in the spot quotation on the London physical market. This took the price 7.50p below the three-year peak reached last month.

## Big drop in U.S. maize forecast

BY NANCY DUNNE IN WASHINGTON

A KEY monthly crop report to be released late last night by the U.S. Department of Agriculture (USDA) was expected to estimate a drastically reduced maize crop between 4.1-4.6bn bushels, the smallest output since 1970.

Chicago crop forecaster Conrad Leslie predicted on Friday that the record high temperatures and below normal moisture levels of the summer will cut the maize crop to 4.3bn bushels.

Another analyst, James McQuigg, estimated an even smaller crop at only 4.0bn bushels.

yields, which had been forecast at 14 bushels an acre, may have been overestimated.

Nevertheless, total wheat supplies will be large because of high carryover.

USDA officials have made repeated assurances that maize supplies will be sufficient to meet both domestic and export needs.

Many analysts believe that the greatly reduced crop, which may cut carryover to 1bn bushels, will result in a Government decision to offer no acreage reduction programmes in 1984.

Farmers are saying that

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• **BOSTON** Environmental Committee, Lincolnshire, has recommended that a local farmer should be prosecuted for contravening by-laws on stubble burning.

• **THE AUSTRALIAN** Meat and Livestock Commission has warned producers to expect the EEC to impose cuts on export shipments of meat, dairy and feed grain.

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## INTL. CAPITAL MARKETS

NEW ISSUE

All these Bonds have been sold. This announcement appears as a matter of record only.

June 15, 1983

## Citicorp Overseas Finance Corporation N.V.

(Incorporated with limited liability in the Netherlands Antilles)

ECU 40,000,000  
11 1/4 per cent. Guaranteed Bonds due 1990

Irrevocably and Unconditionally Guaranteed by

**CITICORP**

**Kredietbank International Group**  
**Algemene Bank Nederland N.V.**  
**Banker Handels- und Frankfurter Bank**  
**Credit Lyonnais**  
**Société Générale de Banque S.A.**

**Citicorp Capital Markets Group**  
**Bank Brussel Lambert N.V.**  
**Crédit Commercial de France**  
**Credit Suisse First Boston Limited**  
**S.G. Warburg & Co. Ltd.**

**Amro International** **Banca Commerciale Italiana** **Banco di Roma** **Bank/Banque Ippa** **Bank Mees & Hope NV**  
**Bankverenig Bremen AG** **Banque du Benelux S.A.** **Banque Générale du Luxembourg S.A.** **Banque Indosuez**  
**Banque Internationale à Luxembourg S.A.** **Banque Nationale de Paris** **Banque Paribas** **Banque Paribas Belgique S.A.**  
**Banque de l'Union Européenne** **Bayerische Hypotheken- und Wechsel-Bank** **Bayerische Vereinsbank**  
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**Creditanstalt-Bankverein** **Crédit Général** **Crédit Industriel d'Alsace et de Lorraine** **Daiwa Europe**  
**Deutsche Girozentrale - Deutsche Kommunalbank** **Dresdner Bank** **European Banking Company** **Financière Dewary S.A.**  
**Genossenschaftliche Zentralbank AG** **Girozentrale und Bank der Österreichischen Sparkassen** **Goldman Sachs International Corp.**  
**Hambros Bank** **Irish Intercontinental Bank** **Istituto Bancario San Paolo di Torino** **Kleinwort, Benson**  
**Kredietbank S.A. Luxembourgeoise** **Kredietbank (Suisse) S.A.** **Lehman Brothers Kuhn Loeb** **Merrill Lynch International & Co.**  
**Samuel Montagu & Co.** **Morgan Grenfell & Co.** **Morgan Stanley International** **Nederlandse Middenstandsbank**  
**Nederlandse Credietbank nv** **Nippon European Bank S.A.** **Nomura International** **Orion Royal Bank** **Rabobank Nederland**  
**The Royal Bank of Canada (Belgium) S.A.** **Salomon Brothers International** **Société Générale** **Société Générale Alsacienne de Banque**  
**Swiss Bank Corporation International** **Westdeutsche Landesbank Girozentrale** **Wood Gundy Limited**

These securities have been sold outside the United States. This announcement appears as a matter of record only.

U.S. \$40,000,000

Barnett Overseas Finance N.V.  
(Incorporated in the Netherlands Antilles with limited liability)

7 1/4 per cent. Convertible Subordinated Bonds due 1998

Convertible into Common Stock of and Guaranteed on a subordinated basis as to payment of Principal, Premium, if any, and Interest by

**Barnett****Barnett Banks of Florida, Inc.**  
(Incorporated in the State of Florida)

Issue Price 100 per cent.

**Shearson/American Express**  
International Group**Salomon Brothers International****Fox-Pitt, Kelton N.V.****Algemene Bank Nederland N.V.****Julius Baer International****Banca del Gottardo****Banque Nationale de Paris****Limited****Clarendon Bank****Crédit Commercial de France****Kleinwort, Benson****Lloyds Bank International****Morgan Grenfell & Co.****Limited****Limited****Pictet International Ltd.****J. Henry Schroder Wagg & Co.****Swiss Bank Corporation International**

August, 1983

Notice to Holders of

**NIFCO INC.**Incorporated with limited liability under the  
Commercial Code of Japan**£12,000,000**

6 Per Cent. Sterling Convertible Bonds due 1996

The Board of Directors of the Company decided on the 1st August 1983, to effect a 20% free distribution of shares of Common Stock of the Company on the 30th September 1983. As a result of the above the conversion price of the captioned Bonds shall be adjusted from the present price of Yen 1255 to Yen 1079.20 as from the 1st October 1983, Tokyo Time in accordance with conditions 5(c), (i) of the bonds.

The Industrial Bank of Japan, Limited, London  
Principal Paying Agent

**U.S.\$30,000,000**  
**SUMITOMO HEAVY INDUSTRIES, LTD.**  
(Incorporated with limited liability in Japan)

Guaranteed Floating Rate Notes Due 1984

Unconditionally guaranteed as to payment of  
principal and interest by  
**THE SUMITOMO BANK, LIMITED**

(Incorporated with limited liability in Japan)

In accordance with the provisions of the Notes and Agent Bank Agreement between Sumitomo Heavy Industries Ltd., The Sumitomo Bank, Limited and Citibank, N.A., dated 5th September, 1979, notice is hereby given that the Rate of Interest has been fixed at 10% p.a. and that the interest payable on the relevant Interest Payment Date, 13th December, 1983, against Coupon No. 17 in respect of U.S.\$25,000 nominal amount of the Notes will be U.S.\$655.64.

September 13, 1983, London  
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

## Editor's Proof

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Every day read the  
**FINANCIAL TIMES**

BY MARGARET HUGHES IN LONDON

THERE WAS little evidence yesterday of the flood of new issues expected in the Eurodollar market following Friday's news of the fall in U.S. money supply. The only new fixed rate dollar issue was a \$100m seven-year bond with an 11% per cent coupon priced at par for Citicorp. Lead managers are Credit Suisse First Boston, Citicorp and Merrill Lynch. The bonds are callable after four years at par.

Also launched as expected yesterday was the \$250m 10-year floating rate issue for Indonesia, which on its first day was trading at around 1 1/2 points below par.

Another warrant deal came to the market yesterday with Paribas offering 150,000 warrants to buy 10% per cent U.S. Treasury bonds due in 2012. Each warrant is priced at \$26. The investor will be able to exercise them until June 1984 at four points above today's closing offer price for the Treasury bonds.

In the secondary market prices of fixed rate Eurobonds were marked up sharply in the early hours of yesterday's trading but after some profit-taking closed only 1/2 point up in mainly professional dealing.

Elsewhere Beatrice Foods is raising DM 130m through a ten-year issue led by Deutsche Bank. The bonds have a 7% per cent coupon and are priced at par. This is the first time that this U.S. foods company has come to the DM bond market to raise finance. Secondary market prices in this sector closed slightly up on the day after some earlier profit-taking.

In Switzerland, where most markets were closed for local holidays, Banca del Gottardo launched a Swiss Fr 100m, 10-year public bond issue for the Council of Europe with a yield indication of 6 1/4 per cent.

## Hungary loan sell-down 60%

ARAB BANKING Corporation has reported a 60 per cent sell-down of the commercial banks' portion of the \$200m loan it is arranging for the National Bank of Hungary—the first in which the World Bank is taking a direct participation of \$30m.

Despite the lack of response from major U.S. banks, the sell-down is well above the 40-50 per cent target set by the eight-strong underwriting group, comprising ABC, Algemene Bank Nederland (ABN), Bahrain Middle East Bank (BMB),

Continental Longterm Credit Bank of Japan, Tokai Bank and Svenska Handelsbanken.

Four other banks—Natwest, Rabobank, Postipankki of Helsinki and

European International Bank, Dai-ichi Kangyo Nederlands, Fuji Bank of London, Richard Daus Bankers of Frankfurt, Sparekassen SDS Copenhagen, Sumitomo Trust and Banking London and Taiyo-Kobe London.

Twelve other banks have joined in at participant level but one or two more still had to confirm on Saturday, having been granted more time to study the \$630m worth of agricultural and energy conservation projects which have been identified as viable by the World Bank.

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of yesterday's men?

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